

Weekend

FINANCIAL TIMES



Weekend FT

Chapter I of the
FT's serial thriller

SECTION II

Being an atheist
can be difficult

The voice of Christmas
to the world

World Business Newspaper <http://www.FT.com>

WEEKEND DECEMBER 21/DECEMBER 22 1996

FT Mastering Enterprise
The FT's
12-part
series
continues
on Monday
Part Six: People and teams

Irregularities claim in CalEnergy bid for UK utility

The UK takeover panel in effect stopped the clock on the £782m (\$1.3bn) hostile bid by CalEnergy of the US for British utility Northern Electric amid accusations of irregularities in the conduct of the bid. The result of the bid battle, which closed at 1pm yesterday, had been expected last night. Both sides disclaimed any responsibility for infringing Britain's takeover code.

UK challenge to Beijing: Britain threatened to take China to the International Court of Justice over its plan to replace Hong Kong's legislative council when the colony is handed over in July. Page 3

American astronomer Carl Sagan dies
Carl Sagan (left), the American astronomer and gifted storyteller who enthralled and explored the grandeur and mystery of the universe in his lectures, books and an acclaimed TV series, died of pneumonia at the age of 62 in a Seattle, Washington, hospital after a two-year battle with bone marrow disease. He won the Pulitzer Prize for nonfiction in 1978.

Amec, the UK construction group, is to pay between £20m and £22m (\$33m and \$38m) for up to 38.6 per cent of Spie Batignolles of France, creating one of Europe's largest building and civil engineering companies. Page 6

Yeltsin back to work: Boris Yeltsin will return to work at the Kremlin on Monday, seven weeks after a quintuple heart bypass operation. The Russian president has been largely absent since being re-elected for a second four-year term last July. Page 2

Hachette buys Polish news chain: Poland accepted a sole-bidder offer from a Hachette-led consortium for the country's biggest newsagent chain, Ruch SA, which has a 60 per cent market share through 17,000 outlets. Page 5

Sweden to check for Nazi gold: Sweden will launch an investigation into allegations by the World Jewish Congress that Nazi gold from the second world war found its way into the country's bank vaults.

Turks to curtail gaming: Necmettin Erbakan, Turkey's Islamist prime minister, said the country's casinos would be closed and a lottery discontinued due to concerns over their effect on Turkish society.

Cambodian prince going home: Prince Norodom Sihanouk says he cannot afford living in exile in France and will return to Cambodia, despite facing a 10-year sentence for allegedly plotting to kill second prime minister Hun Sen.

Landmine ban: Austria is to become the first state to ban anti-personnel landmines. A bill drafted by the Austrian Red Cross cleared its final hurdle and next year will prohibit their manufacture, use and possession.

Centenary for Hussaini: England finished the third day of the first cricket test against Zimbabwe at Bulawayo on 306 for four, with Nasser Hussain 101 not out. Zimbabwe made 376 in their first innings.

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EU ministers reach deal on plan to preserve stocks and safeguard industry Fishing quota cuts agreed

By Caroline Southey
in Brussels

European Union fisheries ministers yesterday agreed modest reductions in fish catch quotas for 1997, after all-night talks to reduce cuts proposed by the European Commission.

Minister Emma Bonino, commissioner for fisheries, collapsed from exhaustion after the 21 hours of negotiations.

Minister Bonino, who was later recovering at home, had argued for larger reductions in catches on the grounds that

some fish stocks in EU waters were depleted and that action was necessary to safeguard the future of the industry.

"The reductions were not that big," an EU official admitted. "But for the first time there was unanimous agreement that there is over-fishing and over-exploitation."

However, conservationists said the agreement to dilute the Commission's proposal meant fish stocks would be run down, hurting fishermen in the longer term.

In a complex deal, ministers agreed to cuts in total allowable catches (Tacs) on about 30 stocks, including cod, mackerel, North Sea herring, plaice and sole. For the rest of the 86 stocks subject to Tacs and quotas, there was little significant change to 1996 limits.

Tacs are set for certain stocks in particular areas.

Quotas are the allocation of the Tacs to a particular member state on the basis of historical fishing patterns.

"With the exception of herring and mackerel, for which emergency measures have been taken, these figures are

only slightly changed in relation to 1996," the ministers said in a statement.

Mr Sean Barrett, the Irish marine minister, said the ministers had arrived at "sensible and pragmatic quotas". The negotiations had been "particularly complex with a lot of new elements".

A commission official said the biggest disappointment had been the rejection of a proposal to impose a Tac on bluefish tuna in the Mediterranean and the Atlantic, and on swordfish in the Atlantic. A Tac has never been imposed in

the Mediterranean and the move was strongly resisted by Greece and Italy.

Ministers also rejected plans to impose restrictions on the fishing of sardines off the Iberian peninsula.

The final deal was agreed by all member states except Belgium and Sweden. Belgium wanted a quota of 23,000 tonnes for North Sea sole and Sweden wanted more cod under a compensation deal

Continued on Page 24
Fish deal may help PM to
survive, Page 4

CS Holding
expects loss
of \$1.6bn
after big
shake-up

By William Hall in Zurich

CS Holding, the biggest Swiss financial services group in terms of balance sheet, expects to lose SFr2.1bn (\$1.6bn) in 1996 after deducting more than SFr6bn for problem loans, restructuring charges and a change in its loan loss provisioning policy.

However, the group, built around the Credit Suisse bank, promised to hold its division.

CS, which announced in July a SFr1.5bn charge to cover branch closures and job losses, yesterday said it was taking another SFr3.5bn in extraordinary reserves, provisions and depreciation to cover a new credit risk provisioning policy, in addition to its normal provision of SFr1.2bn. Without the extra provisions profits would have grown 17 per cent to SFr1.8bn in 1996.

Analysts pointed out CS expected to cover the SFr1.5bn cost of restructuring its domestic branch network with profits from the sale of its stake in Elektrowatt, the Swiss industrial conglomerate. Otherwise, the group's losses would have been SFr1.8bn higher.

The group took the first step in realising the value of its 46 per cent stake in Elektrowatt by selling its 4m shares in Watt, Elektrowatt's electric utility business, to a consortium of Swiss and German utilities for about SFr1.5bn. CS will retain a 15 per cent stake in Watt. CS shares closed unchanged at SFr1.37, close to their year's high.

CS Holding, which is to change its name to Credit Suisse Group next month, is the last of the big three Swiss banking groups to reassess the value of its loan book in response to six years of eco-

Continued on Page 24
Utility shake-up, Page 5

Peru makes pledge to US over hostages

Peruvian president Alberto Fujimori yesterday pledged to protect the lives of the 380 hostages held by left-wing guerrillas inside the Japanese ambassador's residence in Lima, as evidence emerged of deteriorating living conditions in the compound.

Mr Fujimori made the promise in a letter to US President Bill Clinton, as relatives of the hostages held a candlelight vigil (right) outside the compound.

Report, Page 24



Clinton completes second-term cabinet

By Gerard Baker
in Washington

US president Bill Clinton yesterday filled the final gaps in his second term cabinet, securing a delicate ethnic and political balance at top of the new administration.

Mr Federico Peña will move from transportation to transportation as secretary for housing and urban development. All four nominations are subject to confirmation by the Senate.

highway administrator.

Mr Alexis Herman, director of the White House office of public liaison, will take over from the departing Mr Robert Reich as labour secretary, and Mr Andrew Cuomo will move up from his current post as an assistant housing secretary to become secretary for housing and urban development. All four nominations are subject to confirmation by the Senate.

The president also announced the nomination of Ms Janet Yellen, a member of the Federal Reserve Board, to chair his council of economic advisers, replacing Mr Joseph Stiglitz who is to join the World Bank as chief economist early next year.

The appointments highlight the president's determination to maintain a strong representation of ethnic minorities

and women in cabinet.

Mr Peña had been widely expected to leave the cabinet, but his departure would have removed the only remaining Hispanic member, a move considered politically unwise given the size of the Hispanic community and the importance of its vote for the Democratic party.

Ms Herman and Mr Slater are both black. Mr Clinton's

cabinet of 14 members will include three black people, one Hispanic and four women.

Yesterday's nominations also marked a slight shift to the left in the new administration. The main members of the domestic policy team, previously announced, include Mr Krishna Bowles, chief of staff, Mr Robert Rubin, who is

Continued on Page 24

Japan drafts tight budget

By William Dawkins in Tokyo

Japan's finance ministry plans to tighten fiscal policy next year for the first time since the turn of the decade - a sign it is confident enough of economic recovery to start trimming the state's growing debts.

The ministry's draft 1997 budget raises spending by a nominal 3 per cent to Y77.390bn (\$67.9bn) in the year starting next March, much lower than the 5.8 per cent rise the previous year.

Economists in Tokyo greeted the budget as a victory for the powerful finance ministry over the ruling Liberal Democratic party. The LDP was keen to increase public spending to boost a fragile economy, but the finance ministry warned this might risk damaging an already modest recovery.

Next year's tax revenues are

forecast by the ministry to grow by 12.6 per cent - having fallen this year - helped by a politically unpopular rise in sales tax from 3 per cent to 5 per cent from next April and an end to a temporary income tax cut.

The ministry assumes that tax income will be helped by a nominal 3.1 per cent rise in gross domestic product next year, higher than most private sector economists' forecasts.

The draft is to be adopted by the cabinet next Wednesday and presented to parliament next month. Only minor changes are expected before the budget becomes law.

Within the total, general spending on central government services is to rise by a nominal 1.5 per cent, to Y65.8bn, a slight decline in real, inflation-adjusted terms.

As a result, the net budget

deficit is forecast to fall from 4.1 per cent of GDP this year to 2.6 per cent next, the first improvement in the government's financial balance since 1990. Outstanding gross debt is, however, expected to continue rising from 87.4 per cent of GDP this year to 93.1 per cent next year.

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New Constellation

Yesterdays draft budget

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STOCK MARKET INDICES

FTSE 100	4,077.6	(26.5)	US LUNCHEON RATES	4	STERLING	DM	DOLLAR
FTSE Eurotrack 100	1,488.25	(22.12)	Federal Funds	5.2%	S	1.0865	1.0865
FTSE All-Share	1,908.71	(40.74)	3-m Treas Bills Yld	4.000%	FF	5.3440	5.3440
Nikkei	19,000.45	(119.76)	Long Bond	9.02	London	5.3365	5.3365
New York Comex	18,000.45	(119.76)	Yield	6.000%	S	1.0867 (1.0825)	Y 114.13
Dow Jones Ind Ave	6,492.05	(18.45)	DM	2			

NEWS: EUROPE

Rifkind denies UK is holding up EU reform

By Bruce Clark and Quentin Peel

Mr Malcolm Rifkind, the UK foreign secretary, is very, very sensitive to the accusation - often heard in continental Europe - that Britain is holding up the reforms that will prepare the European Union to take in new members.

It is, he says, "absolute bollocks" to lay this charge at the door of a country which believes strongly in enlarging the EU, and is doing its bit at the Union's inter-governmental conference to help the process along.

Warming to the subject like a lawyer who loves a good verbal scrap, he used a recent interview to dismiss the suggestion that UK opposition to the extension of majority voting would hold up the IGC or stop the Union expanding.

The whole issue, he says, is a red herring: majority voting was well entrenched in some areas, and out of the question in others, such as amending the EU treaty. Only over such subjects as the environment, research and indus-



Rifkind: alarm over Cyprus

insisted, while reeling off a list of areas - from trimming the size of the Commission to the adjustment of voting weights - where Britain would play a helpful role at the IGC.

While London - in common with about half the other EU members - was opposed to the Franco-German vision of a multi-speed Europe, Britain did support the principle of flexibility within the Union, he insisted.

In any case, he had little doubt that the IGC would be successfully wrapped up by the Amsterdam summit in six months: "Such matters as need to be decided will be decided," after a hectic round of last-minute bargaining.

It was Mr Rifkind's strong hope that a few months later, the Commission would clear the way for enlargement negotiations with all 10 of the applicant countries by pronouncing favourable verdicts on their eligibility.

But if there were any cases where the Commission's advice - after due study of the would-be members' level of development -

was negative, then this opinion should be accepted. While some EU states might favour overriding the Commission on political grounds, Britain would not.

But this cautionary note, Mr Rifkind would insist, is a sign of Britain's deadly seriousness about the enlargement process, not an attempt to wriggle out of it.

If the minister is sensitive on the subject of enlarging west European institutions, that may be because his personal commitment to the process goes back a long way.

Mr Rifkind's first spectacular gesture in UK foreign policy was made in November 1984, when as a junior minister he enraged Poland's communist rulers by laying a wreath at the grave of a dissident priest who had recently been murdered.

"Europe must be seen as a whole, not as separate parts to be treated differently," he said then, as Polish officials accused him of treating their country like a British colony.

In the same spirit, he now

brings to the cause of Nato expansion an enthusiasm which is by no means universal in the British establishment.

"Nato enlargement will go ahead... and Russia's view will not be the determining factor," Mr Rifkind says, adopting a tone which is closer to the US than to France or Germany.

"Fortunately, we have good relations with Russia," he adds, arguing that the emollient tone adopted by Mr Yevgeny Primakov, the Russian foreign minister, was a better indication of Moscow's mood than the furious verbal onslaught delivered this week by Mr Igor Rodionov, the defence minister.

If there is a wild card that could seriously disrupt the opening up and reform of European institutions, it is not - in Mr Rifkind's view - the Russian problem but a real danger of conflict on Nato's south-eastern flank.

During his peace-making mission to Cyprus this week, the foreign secretary dropped a verbal bombshell by suggesting that war

between Greece and Turkey could break out at any time, because of disputes in the Aegean.

He is also careful to avoid using the word "optimistic" about Cyprus. On one hand, he said, Greeks and Turks saw 1997 as a make-or-break time for the proposal, which both parties accept of reunifying the island as a bilingual federation.

But, he said, "We cannot yet be convinced that there is the real political will to translate these objectives into hard negotiations that will bring them about."

Given this dubious outlook, Britain was conveying to all sides its alarm over the huge Turkish garrison on Cyprus - which he estimated at 36,000 to 40,000 troops - and over Greek-Cypriot plans to buy air defence systems from Russia.

Appearing on national television in his first interview since his quintuple heart bypass seven weeks ago, Mr Yeltsin said his convalescence was over and he was ready to end a political seclusion which has dragged on for nearly six months.

"The country needs an active and energetic president," Mr Yeltsin said, speaking clearly and firmly. "I feel the recovery period is over... The doctors have done their job and now it is up to me."

Looking thinner than before his operation, Mr Yeltsin adopted an informal tone for the interview, wearing a cardigan and open-necked shirt. The footage was filmed by the Kremlin press service at a government country retreat.

Mr Yeltsin said the first issues he would address on his return on Monday were mounting wage arrears and the troubled peace process in the separatist Chechen republic.

But the president gave few hints about what is emerging as Russia's biggest political question: will Mr Yeltsin back decisions taken during his illness or seize back the reins of power with a flurry of personnel changes and new policies?

Kremlin spokesmen are already making an effort to play down expectations that he will immediately reassert himself as a vigorous leader and have warned that his doctors' have ordered him to ease back into work gently.

The doctors recommend for a certain time a light regime - a staged, gentle resumption of work in order not to overload the president. Mr Sergei Yastrzhembsky, the president's press secretary, said at a press briefing yesterday.

"One should not expect that the president's return to work will immediately herald weighty decisions affecting the country's fate," the spokesman said.

On the eve of the president's return, the government yesterday scored an important political victory, when the Russian parliament approved the second reading of the draft 1997 budget, making it also certain the document will be passed before the end of the year.

MPs, who, after weeks of delay and debate, approved the budget in its first reading on Sunday, are scheduled to review the draft for a third and final time today.

Yesterday's vote illustrated the increasing cooperation between the Communists and Mr Victor Chernomyrdin, the prime minister.

In theory and in rhetoric, the Communists, who control the largest bloc of seats in the parliament, are opposed to the government. But since the July presidential elections, they have consistently backed the government on all crucial decisions. By contrast, Yabloko, the leading democratic opposition party, voted against the budget and is expected to do so again today.

Outside Italy, the outrage of the grand prix community that such charges should have been considered is palpable, and goes far beyond fears of the possible consequences for Mr Williams and his co-defendants.

"We deny the charges absolutely," according to lawyer Mr Roberto Causi, in a statement issued on behalf of the company this week. Williams contends that if the will did indeed break, it was as the result of Senna's slamming into the notorious Tamburello curve's concrete wall at 185mph, not the cause.

The Williams team, current world champion, spends some £20m-plus on its racing activities and has a pride verging on the fanatical about its engineering excellence. "We all know lives are at stake with everything we do; to put Williams on the same level as a careless local welding shop is an insult," said one employee.

John Griffiths

Yeltsin promises an active return to work

By Chrystia Freeland
in Moscow

Russian President Boris Yeltsin yesterday told the country he would be back at work in the Kremlin at 9 o'clock sharp on Monday morning and promised to provide the "active and energetic" leadership he said Russia now needed.

Appearing on national television in his first interview since his quintuple heart bypass seven weeks ago, Mr Yeltsin said his convalescence was over and he was ready to end a political seclusion which has dragged on for nearly six months.

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John Griffiths

Observers start probe into Serbian elections

By Laura Silber in Belgrade

A team of international observers yesterday launched an inquiry into election fraud in Belgrade against a background of deepening splits among the ruling elite of President Slobodan Milosevic of Serbia.

The Organisation for Security and Co-operation in Europe (OSCE), headed by Mr Felipe Gonzalez, the former Spanish prime minister, will meet Mr Milosevic, and opposition leaders who are demanding re-instatement of their victories in local elections last month. Mr Milosevic invited the OSCE delegation, in an attempt to end more than a month of street protests and ease western pressure provoked by his annulment of the November 17 poll.

The tenacity of the demonstrators took the Milosevic regime by surprise, widening divisions between his ruling Socialists (SPS) and their

communist coalition partner, the Yugoslav Unified Left (JUL), which is led by his wife, Mrs Mirjana Markovic. Many Socialists believe they lost the elections because of popular resentment against Mrs Markovic, whose party stood on a joint ticket.

"There is a huge conflict between the SPS and JUL. They are rivals and don't like each other. They take votes from each other and attack each other," a former Socialist official once close to the president said. "Milosevic artificially created a party for his wife, so she could have power and travel all over the world." Tens of thousands of Serbian demonstrators daily jeer at the mention of her name.

While his grip on power does not yet seem threatened by the demonstrations, Mr Milosevic is weakened by growing disaffection within his own elite. Top party officials say he could agree to re-run the poll in Belgrade. "This kind of international pressure must be avoided. It is not good for us in Serbia, and not good for the president. Holding new elections would be the most elegant solution for Mr Milosevic," a member of the ruling coalition said.

'Convergence programme' provides four-year budget framework

Belgium to cut debt by 10%

By Neil Buckley in Brussels

Belgium yesterday adopted a four-year budgetary "convergence programme" which envisages cutting the budget deficit to 1.4 per cent of gross domestic product by 2000 and reducing its debt mountain by 10 per cent.

The programme will provide the framework for the next four years' budgets, and leave Belgium - once renowned for fiscal laxness - well inside the limit in the "stability pact" on budgetary discipline in the euro zone, agreed at last weekend's European Union summit in Dublin.

The plan follows an existing four-year programme which has put Belgium on track for monetary union.

Belgium's federal authorities projected at 12.04 per cent of GDP in 2000, will still be twice the 6.0 per cent target in the Maastricht treaty, it will represent a significant cut from this year's 13.04 per cent.

With the regional authorities' primary surplus projected to increase from 0.5 per cent to 0.8 per cent, the total surplus should rise from 5.3 to 6.1 per cent. Running just a 2 per cent budget deficit would be enough to stabilise national debt at current levels, so a bigger surplus will allow significant debt reduction.

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France bans imports of cattle from Switzerland

By David Buchan in Paris

Responding to pressure from its own farmers, France yesterday joined other European Union countries in blocking imports of cattle and most beef from Switzerland, the country with the second highest rate of "mad cow" disease.

Mr Philippe Maystadt, the agriculture minister, said the plan was a "clear commitment" by Belgium to follow the programme by entering the "stability pact" on budgetary discipline in the euro zone, agreed at last weekend's European Union summit in Dublin.

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Elmo: hot property

Sacked minister storms TV set

By David Pilling
in Buenos Aires

Five separations have mixed resentment with farce in such generous proportions as that of Argentina's President Carlos Menem from his erstwhile economy minister, Mr Domingo Cavallo.

The latest incident in a highly public slanging match, which began with Mr Cavallo's unceremonious sacking in July, came on Thursday when an irate Mr Cavallo tried to burst on to the set of a late-night chat show in which Mr Menem was appearing.

Restrained by the show's producers, Mr Cavallo left the television studio in a huff, telling reporters: "Menem won't even look me in the eyes."

The former minister, once lauded for saving Argentina from the ravages of hyperinflation, earlier this week said he was "ashamed" of having served for seven years in Mr Menem's cabinet. He has accused the president of letting corruption fester within his administration.

Mr Menem, who has previously called Mr Cavallo "a liar" and "in the opposition", was restrained on Thursday night. He told talk-show host Mr Mariano Grondona: "I don't want to get into this. I respect [Cavallo] as a great minister who served, his time, but then had to go."

The public has been left largely baffled by the almost daily accusations of the former minister. Although opinion polls show a majority of people share Mr Cavallo's suspicions about the Menem administration, many believe he should have spoken up earlier.

According to polls, the public also doubts that the judicial system is sufficiently independent to embark on an Italian-style sweep of allegedly corrupt public officials.

Mr Cavallo's storming of the television studio was provoked by the arrest earlier this week of Mr Gustavo Parino, a former head of customs appointed by Mr Cavallo.

Mr Parino is being held in connection with an investigation into the "underground customs", through which \$10bn of goods has allegedly been smuggled into Argentina over the past four years.

Desperate Elmo hunters take to the Internet

By Lisa Bransten in New York

Cyberspace is teeming with greed and desperation this holiday season as parents across the US confront the prospect of Christmas morning without a *Tickle Me Elmo*, this year's hottest toy.

"We kidnapped *Tickle Me Elmo*. You want him? We've got him. Demanding \$350 in unmarked bills for his release," reads one of the scores of sites on the World Wide Web inviting offers for the furry red Muppet that giggles and talks when his belly is rubbed. "This is NO

JOKE! Serious offers only," the site adds, above an address for e-mail bids.

The *Sesame Street* toy, which sells for about \$30, is the number one choice of the more than 28,000 cyber-savvy children who have e-mailed with lists to Santa

through America Online, the largest online service in the US. But he can be nearly impossible for parents to find.

Wal-Mart, one of the US's biggest toy retailers, said requests for Elmo were so heavy at one Vermont store that when just seven came in a recent

shipment it raffled them for \$1 a ticket rather than disappoint dozens of customers. In 24 hours the store raised \$7,000 for a local charity.

A search of the Internet shows over 100 pages on the World Wide Web advertising Elmos for sale from \$300 to more than \$1,000. That does not include hundreds of classified ads and bulletin board postings across the Internet.

Mr Scott Smith, director of the digital commerce group at Jupiter Communications, a technology research firm, says

that the Elmo craze on the Internet is a sign of the broadening appeal of the medium. "This could be the first use of the on-line medium to buy and sell the hot Christmas product," he said.

There are signs that Elmo has dragged computer neophytes onto the Internet, but he has not necessarily promoted online commerce. Ms Kathy Kruse of Saint Marys, Ohio, does not own a computer, but she got a friend to put up a Web site selling her doll for "\$350 or best offer."

"I guess you could say it is greed," she concedes.

Mr Christian Redferne, a student in Sacramento, California, said his offer to sell a doll had brought about 80 e-mail messages, nearly all of which were nasty. "I was accused of being Scrooge," he said. There were no bids.

Web advertiser Mr Mike Corpix reported he had accepted an offer to buy his Elmo for \$500.

Elmo's manufacturer, Tyco Toys, which initially shipped 400,000 dolls, denied accusations that it deliberately restricted supply. The company said it had

stepped up production and hoped to have an additional 800,000 Elmos in stores by Christmas.

Mr Jay Blanchard of Canyon Lake, Texas, offered a ray of sanity. He put up an ad hoping to buy an Elmo for his 6-year-old daughter "at a reasonable price" and expected to pay about \$100 including shipping and handling.

He got about 250 responses, but not one for less than \$150. "After getting all of these e-mails I thought common sense has to take hold," he said. His daughter will get *Tickle Me Elmo* for her birthday, in July.

INTERNATIONAL NEWS DIGEST

US sees GDP grow by 2.1%

US gross domestic product grew at an annual rate of 2.1 per cent in the July to September quarter, the Commerce Department said yesterday, revising upwards an earlier estimate of growth of 2 per cent.

The figure still marked a sharp deceleration from the 4.7 per cent rate achieved in the second quarter, but was strong enough to suggest the economy remains on a stable growth path for 1996 as a whole.

Early indications from the fourth quarter suggest the more moderate pace of expansion has been maintained to the end of the year. Most estimates put the US long-term potential rate of growth at about 2.3 per cent. Overall growth this year is expected to be only slightly higher, at about 2.6 per cent. Decline in the rate of growth between the second and third quarters was accounted for by a slowdown in personal consumption expenditures, and downturns in government spending and residential investment, and in exports. Gerard Baker, Washington

Argentine bank finance deal

The Argentine central bank signed yesterday a \$6.1bn standby loan from 13 international banks, led by Chase Manhattan, to provide support for the financial system in case of a run on the banks. In another move to strengthen the banking system, it also announced plans to further raise bank liquidity requirements.

The central bank originally sought a \$3bn financing, but increased the sum after it received bids from banks totalling \$7.4bn.

The credit, with a maturity of between two and five years, is structured as a repurchase facility with Argentine government securities held by the banking system being used as collateral if the standby loan was drawn. Stephen Fidler, Latin America Editor

Italy engineering talks stall

Negotiations for a renewal of a two-year contract for 1.6m workers in Italy's engineering industries have reached stalemate. Engineering unions observed a two-hour stoppage yesterday to protest at the lack of progress in the latest round of talks held this week.

The talks have been stalled for seven months and unions warned that without progress they would call a general strike. They have already staged two protests in an effort to recoup part of their earnings eroded by inflation since 1994 under the terms of a 1993 agreement with the government and employers. However, employers – especially those representing small and medium-sized companies – remain firm, arguing they cannot afford the unions' inflationary demands. Robert Graham, Rome

Cyberspace treaties endorsed

Two landmark international treaties extending copyright rules to cyberspace were successfully concluded yesterday after three weeks of difficult talks in Geneva. However, consideration of a third treaty intended to protect databases was postponed to next year.

The agreed pacts, endorsed by about 150 members of the World Intellectual Property Organisation, deal separately with authors' rights and with sound recordings and the rights of performers. They extend the same rights as now exist for hard copies of books, sound recordings or computer software to digital copies distributed on computer networks, including on-demand services.

The treaties are expected to give a big boost to the Internet by encouraging copyright holders to put their works on the network. Frances Williams, Geneva

Germans, Czechs in protocol

Czech and German foreign ministers yesterday approved the text of a declaration of mutual reconciliation expressing regret for crimes and excesses committed during and after the second world war that seeks to close a painful chapter in the two countries' relations.

At a ceremony in Prague, Mr Josef Zilberman and Mr Klaus Kinkel signed a protocol approving the declaration, the product of sensitive and often tense diplomacy spanning two years. In it Germany apologises for the Nazi invasion and occupation of Czechoslovakia and the Czech Republic expresses regret for crimes committed during the post-war expulsion of 2.5m ethnic Germans from the Sudetenland. Vincent Boland, Prague

Poles name economy minister

In a move which looks set to slow the pace of disposals of state-owned assets, Poland's former privatisation minister, Mr Wieslaw Kaczmarek, is to be appointed to head the country's new economy ministry.

The ministry comes into being on January 1 and incorporates the present trade and industry ministry as well as foreign trade and the old central planning office. The planned appointment means that Mr Kaczmarek will leave his post as first deputy minister at the treasury, another new ministry formed as part of the changes which now handles privatisation policy.

It had been hoped that Mr Kaczmarek would keep up the pace of disposals under Mr Miroslaw Pietrewicz, an official from the Polish Peasant Party (PSL), who heads the treasury. Mr Pietrewicz's party rarely loses an opportunity to criticise sales of state companies and the minister himself is close to Mr Waldemar Pawlik, the head of the PSL, who has warned that foreign investors should not be allowed to play too great a role in the economy. Christopher Bobinski, Warsaw

Tajik rebels take hostages

Tajik guerrillas upset peace talks yesterday by taking 23 hostages, including seven United Nations officials.

A gang of fighters named "Rizvan Sadirov's Group", after a famous former rebel leader based in Afghanistan, detained the hostages in the foothills of the Pamir mountains on their return from a meeting with opposition warlords in southern Tajikistan.

Observers said that the UN officials had accompanied four Tajik government officials and four leaders of the opposition, who form a commission that is vital to efforts to bring peace to Tajikistan after four years of civil war. The Rizvan Sadirov group is demanding that opposition fighters free the brother of Mr Sadirov, the rebel leader who changed sides last month to back the government. Sonder Thoenes, Almaty

Eritrean president warns Sudan's Islamic regime could start 'senseless' conflict

New turmoil feared in Horn of Africa

By Michael Holman, Africa Editor, in London

The "expansionist" policies of the Islamic military regime in Sudan could lead to "a new cycle of turmoil" in the Horn of Africa, President Isaias Afewerki of Eritrea has warned.

"The policies of expansionism pursued by the Khartoum regime... [have] to be firmly countered to redeem the region from another bout of senseless conflict," he said in a speech delivered in London on Thursday to the Royal Institute of International Affairs.

Asked what his plans were, he said: "I want a united effort against the regime in Khartoum, with a minimum of bloodshed."

China refuses to recognise the present Legislative

The president said the region had seen democracy emerge in Ethiopia and independence in Eritrea, but the state had virtually collapsed in Somalia and an extremist regime had come to power in Sudan.

Earlier this month Mr Sadeq al-Mahdi, the Sudanese opposition leader and former prime minister, left Sudan to set up his headquarters in Asmara, the Eritrean capital.

Asked what his plans were, he said: "I want a united effort against the regime in Khartoum, with a minimum of bloodshed."

His flight from Khartoum is a coup for the National Democratic Alliance (NDA), the broad opposition coalition that has started attacking Sudan from Eritrean territory.

Eritrea, which says

Sudan's Islamic government is trying to destabilise the region, supports the Sudanese rebels in their campaign against the government.

Mr al-Mahdi had been living in Khartoum, sometimes in jail and sometimes under surveillance at home, since Lieutenant-General Omar

Hassan al-Bashir overthrew

his democratically elected

government in a military coup in 1989.

Asked at a press conference what he meant by dropping his reservations about the use of violence to overthrow the regime, he said: "I left a memorandum behind in Khartoum, and I tried to be positive and that I wanted to give a peaceful settlement a chance. My future actions will be guided by their [the Sudanese government's] reaction to this memorandum."

In his address, Mr Isaias

urged western aid donors to

change their relationship with Africa. "Transparency and full accountability under strict codes of conduct, with constitutional guarantees and checks and balances" were "vital" to the continent's development.

But donor policies had been characterised by "one-sided and heavy-handed dictation of policies, with micro-management of programmes and projects", he added.

"We firmly believe that this conventional perception of donor-recipient relationship must give way to real partnership," he said.

On every issue, the Zanibaris feel they have been blocked by the mainland," says Professor Abdul Sharif, director of one of Zanibaris' museums. "But the main brake has been the political situation. There is a general atmosphere of apprehension."

The fear is that an isolated

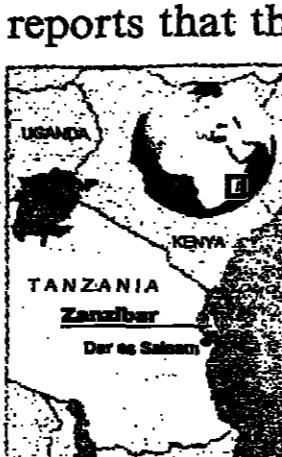
government is finding other, dangerous, ways of raising revenue.

Since the elections, residents say, drugs have poured into Zanibar and diplomats acknowledge the islands are a link in the international drug market, a warehouse for Mandrax, cocaine and heroin destined for southern Africa and northern Europe. There are signs of top-level collusion with the trade, even acknowledged by members of the judiciary.

Local consumption is also on the rise. Many of the hawkers harrying tourists in the streets of the Stone Town are clearly high. "I've heard British tourists discussing how it is now cheaper to come to Zanibar for a week to get high than to do it at home," says a local businessman. "These islands are in trouble."

Zanzibar excesses give Tanzania a headache

Michela Wrong reports that the island partner has become an embarrassment and an expense



Map of the Horn of Africa

Former Tanzanian president Julius Nyerere, the man responsible for merging Zanzibar with the mainland of Tanganyika in 1964, once grew so exasperated by the islanders he said he would like to tow the archipelago 1,000 miles off the coast. Today, the Dar es Salaam government must share his feeling. A truculent partner at the best of times, Zanzibar has now become an embarrassment, defying protests from the mainland, an aid freeze by 17 donor countries and unrelenting pressure from the global lending institutions.

A row over human rights and tax revenue, just the latest to sour relations between Tanganyika and Zanzibar, has not only revived the spectre of the islands' eventual secession. It is presenting Tanzanian President Benjamin Mkapa with his greatest single challenge since winning last October's elections.

"If this government wants to show it means serious business then it must settle the Zanzibar issue," says a diplomat. "Mkapa's survival may depend on it."

Zanzibar's bad behaviour

most part, people from the clove-producing island of Pemba, almost solidly pro-CUF. On the outskirts of Zanzibar town lies the rubble of 400 Pemba homes, bulldozed on the pretext they were built without permission. Pemba civil servants have been sacked and Pemba merchants on the main island of Unguja say they have been put out of business by artificially high customs charges.

On Pemba itself, villages have been torched by security forces and inhabitants beaten. Opposition meetings have been broken up and supporters arrested for watching videos of Mr Selif Sharif Hamad, the CUF leader.

Donor governments, who froze aid to Zanzibar early this year, cite the human rights abuses as a worry. But it is clear another issue hounds more: the so-called "Zanzibar loophole", whereby goods coming into Zanzibar port pay between 20 and 30 per cent lower duties than those shipped to Dar es Salaam.

Over the years, importers got into the habit of unloading containers in Dar es Salaam but, until recently the

Zanzibar government has been very resistant to change," says a diplomat. "They tend to be arrogant, not responsive at all."

Continuing defiance from Zanzibar would risk seriously embarrassing President Mkapa, who has to increase tax revenues if his country is to continue qualifying for IMF help and the bilateral funding that follows.

"There's no money in town," says Mr Wolfgang Dourado, deputy chief justice. "The government is scraping the bottom of the barrel to pay civil servants. Crime is on the rise. Everyone is complaining."

Last year's hopes of an economic revival have faded. Although tourism is booming, plans to attract foreign investment with a free port and export processing zone are stalled for want of mainland approval. Local houses are unfinished, building work halted.

"Things may be shifting now, but until recently the

NEWS: UK

Report casts doubt on bid by Générale des Eaux and Saur for Mid Kent Holdings

Water regulator rebukes French groups

By Leyla Boult, Environment Correspondent

Ofwat, the water industry regulator, yesterday criticised French-owned water companies in the UK for failing to trade at arm's length with associate companies.

The critically-timed rebuke is likely to count against the attempts by Générale des Eaux and Saur, two French conglomerates, to take over one more English water company, Mid Kent Holdings. Mr Ian Lang, the chief industry minister,

is due to decide whether to allow the French companies to make a joint bid for Mid Kent in a few weeks.

Saur and Générale are citing environmental benefits for their proposal to split water-rich Mid Kent between the companies they each own on either side of it: South East Water, and Folkestone & Dover.

But the timing of the report's release was the clearest hint yet that Ofwat does not support a takeover of Mid Kent in spite of its endorsement of a

smaller merger last week.

Ofwat's report is particularly critical of Saur's relationship with South East Water and Mid-Southern, the two water-only companies that Saur already owns in the UK.

It criticises them for suspending efforts to comply with its guidelines on arm's length trading when Ofwat announced that these rules would be reviewed. The guidelines are designed to prevent the customers of regulated water monopolies from subsidising other

businesses within the same group.

Mr Ray Tennant, managing director of Saur Water Services UK, said Saur had hoped Ofwat would revise its definition of associated companies so as not to include all the companies in the French group, but only those in Saur UK. But since Ofwat had made it clear it had no plans to change its definition, the company had in the past few weeks put in place most of the changes sought.

In a report based on visits to all the French-owned

water-only companies last spring, Ofwat found all the companies had violated at least some of the guidelines. These range from requiring associate companies to charge each other fair market prices for services rendered to documenting potential conflicts of interest where there are cross-directorships.

All the eight companies examined had, for instance, paid group charges to their parents which were "not directly related to services provided".

UK NEWS DIGEST

N Ireland alert over IRA threat

Northern Ireland police last night put the region on alert, warning that the Irish Republican Army was preparing to resume full-scale terrorism there. The police said they were "especially concerned that there is a threat facing the community".

Although the police force, the Royal Ulster Constabulary, has advised its members and British army units in Northern Ireland to be on guard, its warning was the first to the public and business community for many months. Police have made a series of recent discoveries including a mortar bomb near a north Belfast army base, a large amount of explosive close to a base in County Armagh and a car bomb outside their own headquarters in Londonderry.

But the warning did not prevent the traditional Christmas release of prisoners in Northern Ireland, and British government officials said a total of 405 prisoners from a total of 1,552 held in the region's jails will this year be released for at least seven days each on Monday. Inmates have to have served a minimum of 11 years or be under consideration for release. Those released will include members of the IRA and rival "loyalist" paramilitary organisations.

John Kampfner

■ STOCK EXCHANGE

Director to return to private role

Mr Giles Vardey, a director of the London Stock Exchange who has led the introduction of reforms to share trading in the City of London, is to leave the exchange before the implementation of reforms in October. Mr Vardey, who started work in the City at Salomon Brothers, later became head of equities at Swiss Bank Corporation.

Mr Vardey said that he wanted to return to the City after four years at the exchange, where he has been director of markets development and marketing. Mr Vardey said his departure was amicable. He was one of a group of senior directors brought into the exchange by Mr Michael Lawrence, its former chief executive, before Mr Lawrence was dismissed a year ago. Mr Gavin Casey was appointed to succeed Mr Lawrence this summer.

John Gapper

■ ECONOMIC INDICATORS

Incomes grow fastest since 1980s

The Office for National Statistics said yesterday that post-tax incomes grew 4.6 per cent in the year to the third quarter, the fastest annual growth rate since the boom days of the late 1980s. The ONS shaved down its estimate of overall economic growth in the third quarter – but only because growth in the second quarter had been more buoyant than initially thought. Gross domestic product rose 0.7 per cent in the third quarter of the year, following 0.6 per cent growth in the previous three months. GDP grew 2.4 per cent in the year to the third quarter.

Separate figures yesterday showed that Britain's balance of payments slipped back into the red during the third quarter of the year, as the strength of the pound contributed to a sharp fall in the value of net investment earnings.

The current account was in deficit to the tune of £71m (£118.5m) in the third quarter, the ONS said. But the statisticians also more than halved their original estimate of the surplus recorded in the second quarter to £344m. Mr Kenneth Clarke, chief finance minister, hailed the figures as a sign that the British economy was entering 1997 in the best shape for a generation.

Graham Bowley

■ BROADCASTING

Regulator lifts digital TV hopes

Mr Don Cruickshank, director-general of Ofcom, the broadcasting regulator, has paved the way for UK viewers to access 200 channels including the existing BBC networks and special sports events from a box on top of their television sets by Christmas 1997.

The telecoms regulator appears to be constructing a compromise to ease the dispute between Mr Rupert Murdoch's British Sky Broadcasting and the BBC, the public service broadcasting organisation, over control of the set-top boxes. Mr Cruickshank aims to assuage the concerns of the BBC and other terrestrial television companies that BSkyB might abuse its power over the digital satellite system.

The regulator, who has been asked by the UK government to "internet" regulations that became law this week, said: "My aim is a world in which broadcasters can compete whether or not they own the network."

BSkyB needs the broad adoption of digital satellite television to bring down the costs of manufacturing set-top boxes, minimising the subsidy it will have to pay to encourage subscribers.

Nicholas Denyer

■ SHIPPING

P&O-Nedlloyd merger cleared

The European Commission yesterday gave the unconditional go-ahead for the merger of the container shipping interests of P&O of the UK and Nedlloyd of the Netherlands. The two companies will each take 50 per cent in a newly established company, P&O Nedlloyd, which will operate a fleet of 112 container ships and employ 8,000 people. It will have a combined turnover of \$4bn and net assets of \$1.5bn. The new company is to come into being from January 1.

Charles Batchelor

Duke's gun remarks hit the wrong target

In spite of latest lapse by Queen's husband, the royal family is likely to retain support

The Duke of Edinburgh's remarks in a BBC radio interview, that members of shooting clubs were no more dangerous than members of golf or squash clubs, were aimed at the government's plans to restrict private ownership of handguns in the wake of the Dunblane massacre. Demands for further restrictions on the country's already tight controls have been redoubled in the wake of the Dunblane murders in Scotland in which 16 schoolchildren and one of their teachers were killed by a lone gunman who had been issued with permits to own weapons.

But the comments by the duke, husband of Queen Elizabeth, also reminded the public of earlier lapses in diplomacy.

In 1981, as British unemployment accelerated, Prince Philip said: "A few years ago everybody was saying we must have more leisure. People can't seem to make up their minds what they want."

During a royal tour of China in 1986, he described Peking as "ghastly" and told British students: "If you stay here much longer you'll all be slit-eyed."

During a walkabout in

Oban in the Scottish Highlands last year, the Duke caused offence by asking a driving instructor: "How do you keep the locals off the booze long enough to get them through the test?"

Prince Philip's views on handguns provoked a storm of protest from anti-violence campaigners but they may have greater long-term significance as an unintended intervention in the growing debate about the future of Britain's monarchy.

In practice, the bulk of the monarch's constitutional role is ceremonial but there are two areas in which the opposition parties plan substantial reforms.

Both would like to see some clarification of the head of state's constitutional power to appoint the prime minister – chiefly to tidy up the rules for choosing the prime minister where there is no clear majority after an election. And they also want to end the royal prerogative – the convention which gives ministers the technical ability to act in some circumstances without reference to parliament.

A number of Conservatives suggested during the 1993 debates on the Maastricht treaty on European integration that the prerogative could be used to ratify the treaty without reference to parliament. Labour and the Liberal Democrats, the biggest opposition parties, have flirted with radical ideas about abolishing the monarchy. But, while both parties are eager to be seen as modernisers, they have made the pragmatic judgment that there are few votes in appearing to be anti-royal.

According to Mori, the polling organisation, only 4 per cent of Britons think the monarchy should be "immediately abolished" and almost 74 per cent are "satisfied with the way the Queen is doing her job".

This popularity explains the cautious reaction by Mr Tony Blair, the Labour leader, to the duke's widely condemned comparison of handguns with cricket bats.



Much of the monarch's role is ceremonial rather than political: the Queen, followed by the duke, arrives at the sovereign's entrance for the state opening of Parliament

to parliament. Labour and the Liberal Democrats see the ending of the prerogative as part of a broader and desirable shift of power away from the government and towards parliament.

Yet while this measure sounds like an affront to royalty, it would do nothing to affect the monarchy in practice, since the prerogative is exercised exclusively by ministers.

While members of the royal family are popular in Britain, they are not seen as beyond reproach. Only 19 per cent of the electorate means no government in the foreseeable future is likely to attempt abolition.

Liam Halligan

EU fish deal may help PM to survive

By John Kampfner, Chief Political Correspondent

The fishing deal struck by ministers in Brussels was welcomed yesterday by MPs in the Ulster Unionist party, the largest pro-British party in Northern Ireland.

The reaction from the unionists raised the Conservative government's confidence that it can hold on to its precarious position in parliament until next May, which is the latest time at

which a general election must be held.

Although they have denied doing deals with unionists on the peace process or other aspects of Northern Ireland politics, the Conservatives acknowledge that one of their main aims in negotiations over quotas was to protect jobs in the region.

Mr William Ross, the agriculture and fisheries spokesman for the Ulster Unionists, said: "It seems from first reports that Northern Ireland has come out of it as well as can be expected."

The Ulster Unionists abstained in last Monday's crucial vote in the House of Commons on European Union fisheries policy, helping the government to secure a narrow victory.

The party's nine MPs made their decision after talks with Mr Tony Baldry, the fisheries minister, who they said had given them more assurances than Mr Gavin Strang, the fisheries spokesman for the opposition Labour party.

The Conservatives' recent defeat in a parliamentary by-election wiped out their majority in the Commons, giving them the same number of MPs as all the opposi-

tion parties combined.

Many Conservatives are coming round to the idea that a general election may be more likely on March 20 than the two previous dates of April 10 or May 1.

Mr David Trimble, the Ulster Unionist leader, has said his party will decide its intentions on the merits of each particular vote – a decision which leaves both Conservatives and Labour on tenterhooks.

Mr Ross said he had been in close contact with Mr Baldry before the Brussels meeting. "This result highlights, once again, the merits of careful background work, as opposed to threats to bring down the government or rattling their cage if they don't get all that we want," he said.

Opposition parties are reeling from the accusation of playing Westminster arithmetic. Mr Strang said quotas served two objectives: the economic survival of British fishing communities and conservation of stocks.

"Judged against these crucial objectives, Tony Baldry's comments don't tally with what actually took place."

He has seen the Dagenham workforce fall from 29,000 in the late 1980s to 7,500 today. Meanwhile, old conflicts between management and shopfloor have faded to be replaced by co-operation. "It used to be so confrontational here in the late 80s and early 70s. It's now totally different."

Operations have been streamlined, partly through transferring work to other UK sites, such as the Bridgend engine plant in south Wales, partly through increasing the outsourcing of components, and partly through manpower cuts. Standing in the cavernous press shop, Mr Belton says: "Visitors go through the plant and ask: 'Where are

the short term but would eat into future earnings. Mr Baldry said he had invoked the Hague Preference, a deal negotiated in 1976 under which Britain and the Republic of Ireland can ask for special dispensations, on a number of stocks.

He said he had also agreed quota swaps with a number of member states after the agreement had been reached. This had been done to "mitigate the disadvantages that resulted from the Republic of Ireland's use of the Hague Preference, in particular to northern Ireland", Mr Baldry said.

However, Irish officials attacked Mr Baldry's comment as "pure politics; everybody goes in to get the most they can for their people. We think Britain is not as good as us. Mr Baldry's comments don't tally with what actually took place."

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the workers?'" Much of the change has been concentrated in the past five years, when Mr Belton has run the body and assembly plant. The crucial decisions were taken in 1988-90, when Dagenham switched from producing cars for the UK only to becoming an export plant for the whole of Europe for the Fiesta model. Mr Belton had to convince Ford dealers from France and elsewhere that Dagenham was shedding its reputation for poor quality and was now making world-class cars. It took months of visits before he succeeded.

For Mr Belton the ultimate accolade came last year when Ford started making cars for Mazda, its Japanese affiliate, at Dagenham. "Producing a Japanese car at a British plant would have been unthinkable 10 years ago."

At the same time, Mr Belton



Terry Belton: a career at the heart of Ford's UK operations

Making Mazda at Ford was ultimate accolade

Manager recalls 30 years of political and economic change in motor industry

Mr Terry Belton is taking early retirement at 55. He has spent almost his entire career at Dagenham, the heart of Ford's British operations and one of the largest factories in the UK. Starting in 1964, Mr Belton has risen to the post he has filled for the past five years – operations manager for the body and assembly plant, the most important plant at Dagenham.

Mr Belton, who is taking early retirement at 55, has spent almost his entire career at Dagenham, the heart of Ford's British operations and one of the largest factories in the UK. Starting in 1964, Mr Belton has risen to the post he has filled for the past five years – operations manager for the body and assembly plant, the most important plant at Dagenham.

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At the same time, Mr Belton

CS Holding sells Watt stake for SFr1bn

By William Hall in Zurich

CS Holding, Switzerland's biggest bank, yesterday agreed to sell its stake in one of Switzerland's biggest electric utilities for SFr1bn (\$747m) to a Swiss-German consortium. The move will strengthen Switzerland's fragmented electricity industry.

The consortium, which will take over CS Holding's 49 per cent stake in Watt, will be 42.5 per cent owned

by Nordostschweizerische Kraftwerke (NOK), a state-owned Swiss utility, while Bayenwerk, an electric utility controlled by German conglomerate Vag, will take 21.25 per cent. Badenwerk and Energieversorgung, two smaller German utilities, will each own 10.625 per cent.

Watt, which owns stakes in four Swiss utilities, is in the process of being split off from Elektrowatt, an industrial conglomerate. CS Hold-

ing is Elektrowatt's biggest shareholder.

The consortium has agreed to buy each CS Holding share for SFr655. It plans to make a similar offer for the other 55.1 per cent of Watt shares, which are being floated off to Elektrowatt's shareholders.

CS will retain a 15 per cent stake in the consortium to ensure that the Swiss partners have control of Watt. NOK plans to offer part of its stake to other Swiss utilities.

The sale of CS Holding's shares comes less than a year after Union Bank of Switzerland, its main rival, agreed to sell two 20 per cent stakes in Motor Columbus, which controls Switzerland's biggest electrical utility, to Électricité de France and SWE Energies of Germany for SFr325m. UBS will retain a 55.6 per cent stake.

Before this move there had been speculation that the two banks would combine their two stakes to create

the equivalent of Swiss Electricity AG.

Switzerland's electricity industry is important because of the country's central location and abundant supplies of hydro-electric power. As Europe's electricity industry is deregulated there will be an increasing trade in electricity and Switzerland is emerging as one of the key trading centres.

CS Holding is under considerable pressure to cash in the profits on its Elektrowatt

stake to cover its own substantial restructuring costs. Yesterday's announcement increases the likelihood that control of the rest of Elektrowatt, which is one of the world's biggest system control businesses, will also be sold to a trade buyer. Siemens, ABB and Siebe of the UK, have all been rumoured to be interested. Mr Simon Marshall-Lockyer, of NatWest Markets in Zurich, said he reckoned that Watt was worth SFr2.5bn.

INTERNATIONAL NEWS DIGEST

Fed loosens bank profit restrictions

The Federal Reserve Board yesterday confirmed that it would allow the banks it regulates to increase the proportion of profits they draw from securities subsidiaries from 10 to 25 per cent. This move, effective on March 6, is one of the most significant steps yet taken by federal regulators to reduce the restrictions on banks' activities in insurance and securities placed by the Glass-Steagall Act of 1933. It increases the chances that Congress will make a renewed attempt to pass more wide-ranging reforms in its next session.

Last month Mr Eugene Ludwig, the comptroller of the currency, who is responsible for the banks not regulated by the Federal Reserve, announced that he would allow banks to set up arm's-length subsidiaries for non-banking activities in another significant extension of banks' powers. The Fed's plan is in line with proposals it announced earlier this year. It had allowed commercial banks to set up subsidiaries for activities such as underwriting securities and bond dealing since 1987, and about 40 banks have taken advantage of the option. Several members of the Fed board said they hoped Congress would now repeal the entire Glass-Steagall Act. John Authors, New York

Swedbank in Estonian acquisition

Swedbank, the Swedish commercial bank, has acquired a 12.5 per cent stake in Holipank, Estonia's second-largest bank. The shares were purchased from Hansapank, Estonia's largest bank and one of Holipank's main owners. Swedbank, which paid close to SFr75m (\$11m) for the stake, becomes the third biggest shareholder in Holipank. It said the move, the first direct investment by a Swedish bank in an Estonian bank, was an extension of its Nordic strategy.

Greg McIvor, Stockholm

Go-ahead for Telefónica privatisation

Spain's government yesterday authorised the full privatisation of Telefónica, the national telecoms company in which the state holds a 21 per cent stake. The sale, which is expected to realise Pta465bn (\$3.56bn), will be completed through a global offering in mid-February. Telefónica's disposal will be the first of several in 1997 by European operators including those of France Télécom and Italy's Stet.

The expected sale to Telefónica by the government of the 23 per cent stake it does not own in Tisa, the group's international subsidiary, was held off until the new year. Officials said this sale would take place before Telefónica's offering.

Tom Burns, Madrid

Hachette in Polish media buy

In a deal equivalent to a total of \$128m, Hachette Distribution Services (HDS), together with two Polish partners, is to take 75 per cent of the Ruch press distribution company which the Warsaw government is privatising.

With its Polish partners, HDS, which is a division of France's Lagardère group, is to pay \$83m for Ruch, once Poland's national press distribution monopoly and still holds 60 per cent share of the country's press market.

At a cost of \$83m, the HDS-led consortium will take a 40 per cent of Ruch immediately with an option on another 35 per cent. HDS will itself eventually hold 51 per cent of the Polish company, and has committed itself to injecting another \$46m into the company.

David Buchan, Paris

MGAM to pay investors £200m over Young affair

By John Gapper, Banking Editor

Morgan Grenfell Asset Management yesterday promised 100,000 investors in three investment funds manipulated by Mr Peter Young, its rogue fund manager, compensation totalling about £200m (\$300m) for the losses they suffered.

The payments, which are unprecedented in the UK unit trust industry, are likely to make up two-thirds of total losses of £300m suffered.

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ferred by MGAM and its parent bank Deutsche Bank in clearing up the aftermath of the Young affair.

The payments will go to more than 90 per cent of 107,000 investors in the funds, many of whom were attracted by what seemed to be Mr Young's talents as a unit trust manager in making his fund perform better than others.

In fact, Mr Young was falsely lifting the value of these funds by pouring cash into small technology companies around the world

through a web of Luxembourg holding companies. His deception was uncovered in September.

Deutsche Bank said it would take a charge of £200m as an "extraordinary cost" in the 1996 financial year.

The compensation arrangement, agreed with the City's asset management regulator Invro, will guarantee to all investors in the three funds a return on their investment equal to what they would have got in properly-run unit trusts.

Morgan Grenfell said that investors who put money in one of the funds, including the flagship European Growth Fund, at the start of August 1995 should have gained 17 per cent by this September, according to an index of other funds.

Instead, those in the Growth Fund gained only 2 per cent, as a result of a fall in the value of its assets at the beginning of this year. All investors who gained less than the index at any time in the period would be fully compensated.

Morgan Grenfell also said it would make sure that no-one in the three funds lost money, even if the comparable index went down during the relevant period. Investors are to be paid by April, and will be contacted individually by MGAM.

Mr Robert Smith, chief executive of MGAM, said he believed the firm had demonstrated good faith. "We feel an obligation to put [these matters] right in full," he said. See guide for individual investors. Weekend Money

Broken Hill Proprietary at top of forecasts

By Nikki Tait and Bethan Hutton in Sydney

Broken Hill Proprietary, the Australian resources group, yesterday announced an after-tax profit of A\$780m (US\$627m) for the half-year to the end of November, at the upper end of analysts' forecasts.

The result is 9.8 per cent down on the A\$876m produced in the first half of 1995-96. It also benefited from an A\$107m after-tax abnormal profit, after the settlement of the petroleum tax issue with the Victorian state government.

Excluding abnormals, after-tax profits were 15.8 per cent lower at A\$683m, and earnings per share down 17.4 per cent at 41.9 cents.

The company's shares, which had been climbing ahead of the results, rose 43 cents to A\$17.48.

The improvement in the second quarter was owed largely to the strong perfor-

mance of the petroleum division, which made an operating profit of A\$442m in the first half, including the abnormal gain – more than double the A\$198m of a year ago. Apart from the tax settlement, BHP said the division had benefited from higher oil prices, partly offset by increased exploration expenditure.

The minerals division also saw a modest 3.1 per cent profit improvement to A\$230m, mostly because of higher coal and iron ore prices and increased iron ore shipments. However, the copper division – which takes in the recently-acquired Magma copper business in the US – made only A\$21m, down from A\$88m.

Copper prices were depressed for much of the period in the wake of the Sumitomo scandal, and BHP also said results from North America had been lower than expected, although cost-cutting had led to a

profit turnaround of A\$97m for North America. Mr John Prescott, managing director, said the company was aiming to cut copper production costs further.

The steel division posted a 29 per cent fall in profits to A\$180m, owing to rising labour and raw material costs and lower export prices.

BHP said prospects were "moderately encouraging". Steel prices were still "under pressure" and it expected mineral prices to remain at current levels, although copper prices were volatile.

Mr Prescott said the company was taking a conservative view in its copper hedging strategy. "We think that there will be some firming pressure in 1997," he said.

Oil prices had been higher than had been anticipated, and there was a chance of higher prices in the next year. Exploration expenditure across the group rose from A\$65m to A\$80m.

John Prescott: seeking more copper output cost cuts and expecting firmer prices in 1997

● Comalco, the Australian aluminium producer which is 67 per cent owned by London-based RITZ-CRA, warned yesterday that it expected to make a loss in the second half of its financial year, ending on December 31. It

blamed the deficit mainly on lower metal prices and the strengthening Australian dollar, but also cited higher smelting costs – partly related to the upgrade of its New Zealand smelter – and the restructuring at its Weipa bauxite mine.

In the first half, Comalco made a profit after tax of A\$43.9m, down from A\$155.1m. It said the deficit in the second half would "partly offset" the first-half surplus.

Rivalry alters board at Lloyds TSB

By John Gapper, Banking Editor

Growing rivalry between banks and supermarkets as providers of financial services yesterday led to fallout at the helm of Lloyds TSB, Britain's biggest bank, when two directors of retail companies agreed to leave the board.

Sir Richard Greenbury, chairman of Marks and Spencer, and Mr John Gildersleeve, a director of Tesco,

are thought to have been asked to leave the board of Lloyds TSB – the dominant retail financial services company in the UK as a result of mergers and takeovers – because of the expansion of both companies into banking services.

Tesco has already attracted about 150,000 customers to its Clubcard Plus scheme, which offers a current account paying 5 per cent interest, while Marks and Spencer now sells per-

sonal pension and savings plans.

Lloyds TSB announced after its monthly board meeting that the two non-executive directors would leave its board at the bank's annual meeting in April. It said they had "decided it would be appropriate" for them to do so.

Although Sir Richard has been a member of the Lloyds Bank board since 1992, and Mr Gildersleeve has been a director of TSB Group's

board for two years, conflicts of interest have become more pronounced in the past few months.

In that time, Tesco has set up Clubcard Plus scheme with National Westminster Bank, while other retailers, such as J.Sainsbury and Safeway, have also expanded into banking with schemes based around shopping loyalty cards.

Other banks may also be re-considering non-executive directorships.

Falling further out of fashion

Motoko Rich on a bad week for the UK's textile industry

executive of Claremont.

In fact, conditions have been difficult in the textiles sector for some time. Over the past year, textile stocks have underperformed the FTSE All-Share by nearly 36 per cent, and profits warning and broken downgrades have become common.

Suppliers to M&S have come under particular pressure as they have found it difficult to raise selling prices. "M&S has been incredibly resistant to price rises," said one analyst.

But M&S argues that the reason so many of its suppliers have suffered during the year has more to do with their non-M&S business. "We have good relationships with our suppliers and we are not putting margin pressure on them," M&S said.

Nevertheless, nearly all the listed M&S suppliers have suffered during 1996. When Claremont unveiled plans to close its Glasgow plant, a retailer says is an indication

textile companies prefer its business.

One M&S supplier which has managed to remain relatively healthy is Dewhirst. The group raised interim pre-tax profit 10 per cent to £11.1m and is forecast to raise full-year profits to £25.8m (£22.3m). Analysts suggested Dewhirst benefited from strong management, a robust balance sheet, heavy capital investment and the early introduction of "crease-proof" cotton, which can command a premium price. Dewhirst is an exception to the trend, however, and repeated batterings have made investors wary of the industry.

"We have had such a round of downgrades throughout the last two years that no one is going to put any faith in the profit forecasts until we have some firm evidence that margins are improving and that trading is reasonable," said Ms Joan D'Oliver, analyst at NatWest Markets.

"The only way the sector is going to turn around is when we get some good news."

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Castrol M&R Int	6 mths to Aug 31	1.03	1.01	0.2771	(0.3021)	1.31	1.06	-
Particorp	6 mths to Aug 31	0.94	0.42	0.107	(0.1011)	0.36	0.42	-
Formuline	6 mths to Oct 31	10.5	11.5	0.758	(0.512)	4.07	2.36	1.22
Qantas (SP)	Yr to June 30	154	154	11.134	(6.31)	29.5	11	-
Kinney Inds	Yr to Sept 30	57.4	52.6	2.17	(2.14)	32.6	50.3	18
Leverett Inds (P)	Yr to Sept 30	20.2	18.44	2.95	(2.86)	11.1	10.9	2.9
Mosaic	6 mths to Nov 1	22.1	15.6	4.75	(2.45)	9.07	5	2
Trio	Yr to Sept 30	39.7	35.3	18.314	(11.804)	20.72	14.221	18
Tulsa Resources	6 mths to Sept 30	0.221	0.152	0.1201	(0.1221)	0.041	0.041	-
Investment Trusts								
Abertax Asse 3	6 mths to Sept 30*	13.35	12.85	1	6.12	2.22	0.37	-
Abertax Profd Inv	6 mths to Nov 30	78.53	68.94	1.72	(1.72			

COMPANIES AND FINANCE: UK

Amec sets up Spie link with £23m deal

By Andrew Taylor,
Construction Correspondent

Amec, one of the UK's biggest construction groups, is to pay £20m-£23m for up to 48.6 per cent of Spie Batignolles, creating one of Europe's largest building and civil engineering companies.

Amec has the right to buy a controlling interest in its French rival after six years.

Some 12,000 of Spie's 20,000 workers and management initially are expected to buy the remainder of the company in an employee buy-out from Schneider, the French electricals group.

Under the terms of the deal announced yesterday, Amec initially would pur-

chase between 40 per cent and 48.6 per cent, depending upon the take-up by Spie employees.

In addition, Spie will pay Schneider FF1650m (£75m) to buy the 50 per cent stake of Spie Trelod, the specialist electrical services contractor, not already owned.

Schneider will raise FF1bn from the sales, which follow its rescue of Spie last year when it took over lossmaking properties and debts of FF71.4bn. It also injected FF1800m of new equity capital into the business.

In return, Schneider acquired tax losses, which it is expected to retain. The electricals group's shares rose 60 centimes yesterday to FF233.

Mr Peter Mason, Amec chief executive, said the British group had been in danger of being left behind in the consolidation of the European construction market around a small number of large powerful groups.

These companies had the balance sheet strength and broad range of skills needed to trade more readily in international markets both in Europe and further afield.

Amec, as Europe's 12th largest contractor, was in danger of being stranded as it outgrew a mature UK construction market, he said.

Mr Mason added that Amec and Spie combined would have annual turnover



Constructing alliances: Sir Alan Cockshaw (left), Amec chairman, with Peter Mason

NEWS DIGEST

Williams makes Spanish buy

Williams Holdings yesterday announced a big expansion of its security product division by acquiring Tesa of Spain for \$168m (£101m) cash.

The industrial manufacturing group predicted that the purchase would lift annual sales in its security division - its smallest - by about a third to more than £350m.

Mr Roger Carr, chief executive, said the deal marked the latest stage in a 12-month refocusing, which has seen the company spend more than £300m on acquisitions and raise £250m from disposals. It will be funded using proceeds from the £350m disposal of the UK building products business earlier this month. "We are now concentrated in three divisions and believe that security could be one of the fastest growing areas," he added.

Tesa will help increase Williams' presence in electronic locks; it will gain a foothold in manufacturing hotel card keys, of which the Spanish company is the world's second largest supplier. This year Tesa is expected to report pre-tax profits of \$16m (£10m) on sales of about \$153m (£101m).

Under the transaction, Williams has agreed to buy both the majority stake held by Tesa's family shareholders and a 33 per cent minority interest held by Newman Tonks, Europe's largest architectural hardware group.

Newman Tonks, which is facing a £19.5m hostile bid from FKI, said it would make a £12m gain on the sale.

• FKI last night published an offer document telling Newman Tonks shareholders that its share-and-cash offer would give them "the opportunity exit a business with a dismal track record at a significant premium". Mr Geoff Gahan, Newman Tonks chief executive, said: "There's nothing new in this document which only goes to confirm their derisory offer. FKI have demonstrated they do not understand our business or market."

Tim Burt

Ramco in Georgian deal

Shares in Ramco Energy rose 15 per cent yesterday after the oil services and development company announced an exploration agreement with the government of Georgia.

The Aim-listed company also intends to issue 8.5m shares in the US to raise up to \$115m (£88.8m) and to list on the US national securities exchange.

Shares in London gained 137.5p to close at £10.30, confirming the Aberdeen-based group's position as the second largest stock on the UK's junior market.

Mr Stephen Bertram, finance director, said the money had been earmarked for a range of new projects in the former Soviet Union. Ramco is the only UK independent oil group to have secured a position in the rapidly evolving Azerbaijan oil industry.

The new shares will also increase liquidity as about half the group is currently held by three shareholders.

Ramco will hold an extraordinary meeting on January 16 for shareholders to agree the new listing. The proposed offering will also be available for UK institutional and European shareholders.

Jane Martinson

Gulf Canada hits out

Gulf Canada Resources, the oil and gas group, hit out at the directors of Clyde Petroleum, the UK oil independent, when it issued the offer document for its £425m hostile bid last night. Gulf reiterated its view that the 105p a share cash offer, launched on Wednesday, was a "full and fair" price.

Mr JP Bryan, Gulf's president and chief executive, added: "We were surprised by the Clyde board's decision to reject our generous offer after only a few hours' consideration, particularly given that four of the executive directors, including the chairman and finance director, decided to sell Clyde shares for 81p earlier this week."

Clyde responded by pointing out that the directors who exercised share options on Monday, at the same time as the group announced an acquisition, all retained sizeable stakes in the company. The company said that the 100,000 share options which had been exercised left 4m held by directors.

Jane Martinson

Trio loss deepens to £18m

Trio Holdings, the money broker, saw pre-tax losses widen last year from £11.8m to £18.3m as it continued its rationalisation and reconstruction in the face of falling volumes.

In the year to September 30 turnover fell to £39.7m (£29.3m) as Trio withdrew from broking of spot foreign exchange, through the sale of subsidiaries in Germany and Switzerland and the closure of all other spot broking desks in New York and south-east Asia. It ceased trading earlier this month in money market products in New York. Exceptional charges totalled £11.8m (£4.6m).

The company said after-tax losses on discontinued activities of £13.2m were mitigated by the write-back to reserves of goodwill on the businesses of £9.85m.

Bullish outlook at Kelsey

Kelsey Industries yesterday reported a 30 per cent contraction in full-year profits - bearing out the profit warnings delivered during the year to September 30.

The shares, however, improved 35p to 395p as Mr Brian Arbib, chairman, forecast "good progress" in the current year and described the long-term outlook as "encouraging".

Turnover from continuing operations improved 8 per cent to £67.4m, generating pre-tax profits of £2.17m (£2.14m).

As the company had previously warned, the "disappointing" setback reflected start-up costs in its automotive components side, based in Germany, and slowing sales, particularly in North America and Asia Pacific, for solder materials.

Wainhomes compensation

Wainhomes has agreed to pay compensation of £225,000 to Mr Ron Smith, who was ousted as chief executive of the housebuilder last January, after he was said to have lost the board's confidence.

Wainhomes said the compensation agreed with Mr Smith previously had been included as a liability in its accounts for the year to March 31 1996.

Andrew Taylor

Some recovery in ECC trading

By David Blackwell

Shares in English China Clays rose yesterday after the speciality chemicals and minerals group spoke of "some improvements in trading conditions".

The group also revealed in a trading statement that the cash cost of the restructuring programme would be £12m - much lower than had been expected. The shares, which hit a five-year low of 167.5p earlier this month, added 14p to 191.5p.

Mr Dennis Rediker, who took over as chief executive from Mr Andrew Treade a year ago, promised cost savings of more than £20m from the restructuring when announcing a collapse in pre-tax profits from £5.3m to £5.7m in September.

"We will accomplish the £30m and some more," he said yesterday. After advice from McKinsey, the management consultants, the group had adopted a comprehensive programme to improve

operations from mining right through to product.

It involves improved purchasing, better logistics, lower administration costs and lower research and development costs without losing any effectiveness.

In addition, the group, which relies for 70 per cent of sales on the paper industry, was finding its main markets showing signs of improvement. "The combination of the reorganisation and better trading conditions has led the management to have more optimism," said Mr Rediker.

Analysts, who are forecasting profits of £5.5m for the year to the end of this month, were yesterday feel more confident of average forecasts of about 270m in 1997.

"The group is not firing on all cylinders - it is past the worst," said one. He added that even if the dividend is cut from 16.5p to 10p, as widely expected, the yield was over 6 per cent.

EU blocks Anglo voting Lonrho stake

The European Commission has blocked Anglo American of South Africa from exercising the voting rights attached to its 28 per cent stake in Lonrho, the UK conglomerate.

The provisional decision also means that Anglo may not appoint any further directors to the board during the Commission's four-month inquiry.

Mr Karel Van Miert, com-

petition commissioner, has warned that any attempt by Anglo to take control of Lonrho was likely to be blocked as it would create a dominant position in the platinum and rhodium markets.

Anglo is believed to have made representations to the Commission to be able to vote its shares on all resolutions not connected with Lonrho's platinum interests.

These costs, to be shared by the two companies, are computed as £740m pre-tax, compared to the £400m-£500m a year savings already identified.

BP and Mobil also said the one-off costs associated with bringing about the merger would be almost twice as high as originally calculated.

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Williams
Spanish

WEEK IN THE MARKETS

Crude oil
price trend
strongerBy Deborah Hargreaves
and Ken Gooding

Crude oil prices saw a volatile week's trading, but the underlying trend was stronger after cold weather in the US and the expiry of the January futures contract on the New York Mercantile Exchange.

January futures prices in New York breached the \$36-a-barrel mark for the first time since October. But the rise was largely in response to traders covering short positions ahead of January expiry. The February contract, which now holds front month position, slid 20 cents to \$35.85 yesterday.

Previously, freezing weather in the US Midwest sent oil products and natural gas futures higher with more cold weather forecast for next week. Traders largely ignored the return of Iraq's return to the world market, as 14 companies signed up to buy Iraqi oil and the first tankers left Iraqi ports.

The oil market has recently defied analysts' predictions of a drop in prices, but many still believe that, once the weather scares have diminished, oil will retrace substantially.

"Unless the weather is very cold, we will see a decline in prices over the next few weeks," said Mr Mohammed Abduljabbar, oil market analyst at Petroleum Finance Company in Washington. Mr Abduljabbar believes New York prices will sink to \$31 a barrel if the weather is normal.

But he said the oil market would regain its lustre in March at the onset of the key driving season in the US because of low gasoline stocks.

On the London Metal

WEEKLY PRICE CHANGES

Latest	Change	Year	1996
prices	on week ago	High	Low
Gold per troy oz	\$398.15	\$397.40	\$415.40
Silver per troy oz	—0.05	—0.05	—0.05
Aluminum (cast)	—0.75	\$1,685.5	\$1,676.5
Copper Grade A (cast)	+7.0	\$2,981	\$2,810
Lead (cast)	\$703.50	+2.45	\$725.5
Nickel (cast)	\$9,827.5	+4.25	\$9,825
Zinc (Hg)	\$10,828.75	+4.25	\$10,128
Tin (cast)	\$5,722	+0.5	\$5,920
Copper Futures Dec	880	+57	1,171
Gold Futures Jan	\$12,600	+100	12,700
Gold Futures Mar	\$12,600	+100	12,700
Gold Futures Jun	\$12,600	+100	12,700
Gold Futures Sep	\$12,600	+100	12,700
Gold Futures Dec	\$12,600	+100	12,700
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FINANCIAL TIMES

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Saturday December 21 1996

The ghost at Europe's feast

The Organisation for Economic Co-operation and Development wishes the world a moderately prosperous new year and an even better 1998.

The growth of national incomes will accelerate to 2.8 per cent on average in two years' time, it thinks, as Europe and Japan pick up the baton from the US. And inflation will scarcely stir from its slumber. Bravo! The 427m workers of the developed world could unite in drinking to that, as they leave for the Christmas holiday. But there will be, alas, another 36m who cannot share the glad tidings: they have no job to take a holiday from.

The OECD's latest Economic Outlook has increased its forecast total unemployment by 2m compared with its last estimate in June. The trend remains downwards, to be sure. But in the EU, plagued by weak growth, the unemployment rate is expected to fall by less than 1 percentage point from its peak in 1994 to 10.9 per cent by 1998. This represents 18m people on the dole. As a proportion of the workforce, it is five times the rate in the 1960s.

So, welcome as it is, a revival of Europe's economy will have a relatively small effect on the region's direst problem. Moreover, it is well to remember the good times in prospect will be much less bright than recoveries past. The OECD's latest forecasts suggest average annual growth for the EU and the US for most of the 1990s will be only 1.9 per cent (compared with 1.6 per cent in Japan).

It is too easy to compare this dreary performance with average growth in the 1960s and early 1970s – an average of 4.8 per cent in Europe, 4.3 per cent in the US and 9.4 per cent in Japan. In that go-go era, the rise of national income outstripped productivity growth and led to steep increases in commodity prices – and a quadrupling of oil prices. After the big inflation came the slow march of unemployment, still a dark shadow upon the prosperity of Europe.

Old question

However, the OECD also points up the comparison with the more sober 1970s and 1980s when economic growth in all the large economies was significantly faster than can be expected in this decade. Its analysis revives that old question: what more must be done to improve economic performance and to get people back into work?

The answer which economists

would have given with confident unanimity in earlier decades, and which some still cling to, no longer carries any conviction. Almost all OECD governments are so heavily in debt that they could not honestly borrow their way into higher growth, even if it were desirable. With the exception of Japan, which has been mired in recession, all governments of major countries are actively trying to cut their deficits.

In this, the targets set by the Maastricht treaty for those countries which want to join the European monetary union in 1999 are no stricter than would be sensible anyway. For, as the OECD rightly points out, high deficits and increasing debt levels (expected to reach a peak of 7.8 per cent of GDP in Europe next year) have pushed up real long-term interest rates and so acted as a drag on growth.

Painful decisions

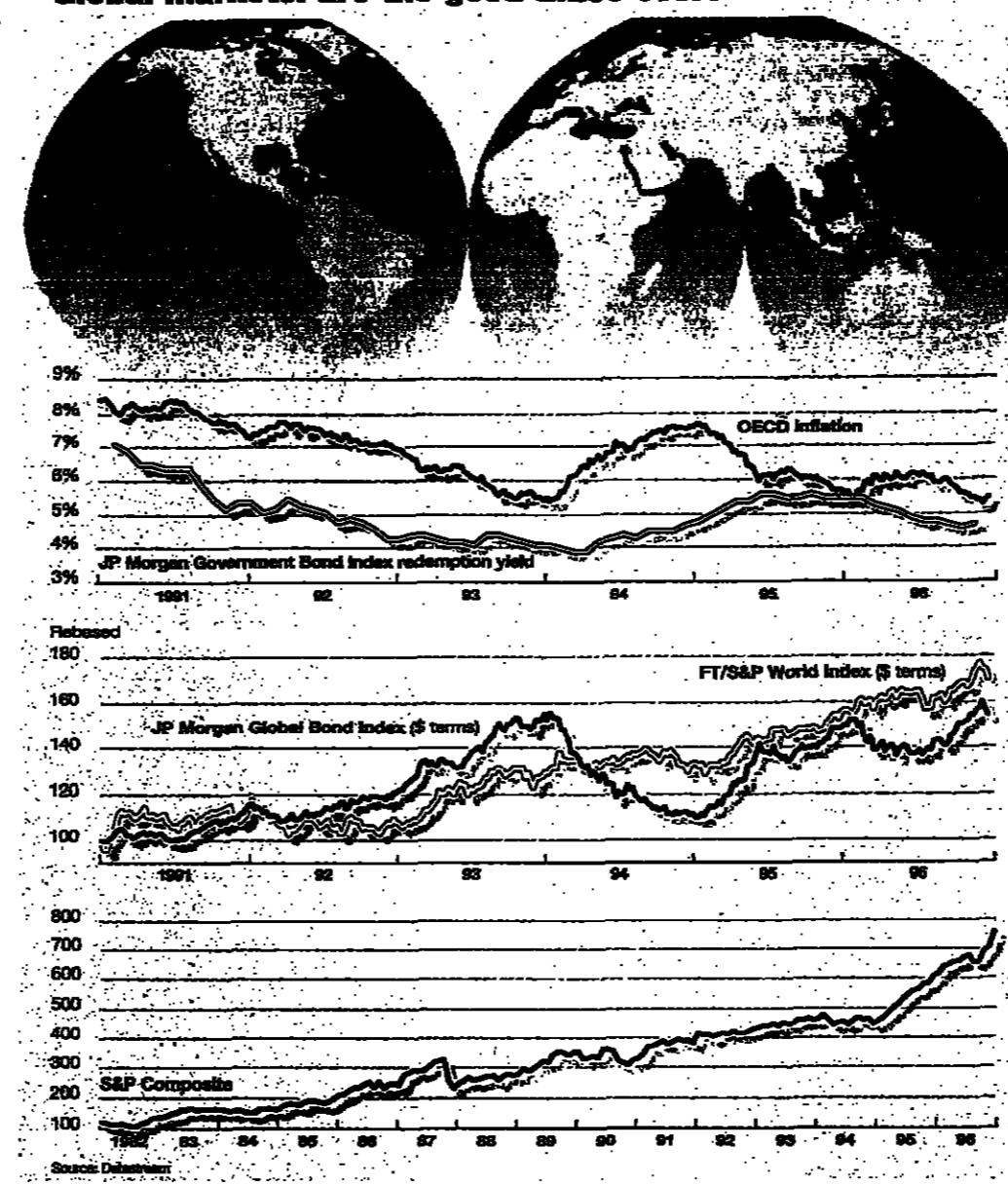
The corollary is that further cuts in deficits could have a fairly rapid pay-off in terms of lower interest rates, as has happened in Italy. However, this benefit will last only if governments convince the markets of their long run determination to control deficits. And that means making painful decisions about public spending so as to restrain taxes from their inexorable upward progress. Tax revenues in the EU are now just under 44 per cent of GDP on average, compared with 36 per cent 20 years ago. The OECD is by no means alone in thinking that further rises will put a damper on the animal spirits of economic activity.

Difficult as this may be, the pill can be sugar-coated in continental Europe by a further easing of short-term interest rates, which would hardly threaten inflation targets in Germany and France, although the accelerating consumer boom in the UK will need to be restrained.

The remaining lever of policy must be de-regulation of the labour market and monopolistic industries. The OECD estimates such measures could reduce the overall price level by more than 1.5 per cent in France and Germany and raise output by a similar amount. But in the short term such measures reduce jobs and depress some wages.

So the governments of Europe must not be seduced into overindulgence in the party spirit. They will soon have to tighten their belts further and make stern new year resolutions.

Global markets are the good times over?



Longer-term rates – bond yields – have also been falling. Global bond yields, as recorded by the J.P. Morgan Government Bond Index, have dropped from 8.5 per cent in January 1991 to 5.5 per cent (although there was a sharp dip upwards in 1994).

Lower interest rates and bond yields help companies by reducing their borrowing costs and helping equity markets by reducing the competing returns from holding bonds and cash. Thus the FT S&P World Index has risen by 69.8 per cent in dollar terms since the start of 1991.

It is not just the past five years which have been good for shares and bonds. A longer-term bull market dates back to 1982, which has seen the Dow Jones Industrial Average rally from under 800 and US Treasury bond yields drop from more than 14 per cent

in 1982 to 5.5 per cent – although it is even lower. In the big Group of Seven (G7) countries it is 2.1 per cent, down from 5 per cent in 1980.

As inflation has subsided, so has the cost of money. Nominal three-month rates in the G7 countries have dipped from 9.2 per cent in 1990 to 4.4 per cent. In 1982 magazine covers were speculating about the death of equity investment, after a long period of disappointing returns. Investors consequently priced

shares at low multiples of corporate earnings. The historic price/earnings ratio on the S&P 500 in the US was under eight in 1982. It has climbed to over 20 today. At the same time, the p/e ratio on the FTSE Non-Financials Index in London has doubled from nine to 18.

Over the period, the corporate sector has been able to improve profits with the help of commodity prices which have fallen in real terms, new technology, and flexible labour markets. According to Lehman Brothers after-tax operating margins for the S&P Industrial companies in the US have risen from under 4 per cent in 1982 to 8.5 per cent – although they remain well below their 1980s and 1990s peaks.

The main threat to the global bull market is the possibility of an end to the benign factors which have boosted prices – low inflation, low interest rates and bond yields, and rising corporate profits.

Inflation could be rekindled by

rising commodity prices. Previous commodity scares, notably in 1994, have petered out, but the oil price has been strong this year and a period of co-ordinated global economic growth might push up the prices of other raw materials.

Alternatively, labour market pressures might push up costs, notably in the US and the UK, where unemployment has fallen furthest and the recovery has lasted longer.

Any sign of higher inflation would push up interest rates. The Federal Reserve left US rates unchanged at its meeting this week but Mr Greenspan might push up rates in 1997. When the Fed last started to increase rates in 1994, it had a sharply adverse effect on world bond and shares markets.

Events in Japan could also pose a threat to US interest rates. Japanese interest rates have been kept extremely low as the authorities have desperately tried to revive their economy.

and this has encouraged investors to look overseas for higher returns. In October Japanese investors bought ¥1.67bn (\$14.7bn) of overseas bonds – helping the US fund its trade and budget deficits.

But if rates and bond yields in Japan rise as its economy recovers, interest rates might have to increase in the rest of the world to reflect the smaller inflows from Japanese investors.

Deflation also poses dangers – because of the impact on corporate profits. The US has already enjoyed a long expansion by historical standards and a downturn is overdue. Japan may yet find it impossible to rebound from its slump and Europe may find that the costs of meeting the strict Maastricht criteria for monetary union prevent it from enjoying robust economic growth. But equities are priced on the assumption that earnings will continue to grow – something that worldwide recession might prevent.

Mr Albert Edwards, global strategist at Kleinwort Benson, the UK merchant banking arm of Dresdner Bank, says in the longer term investors "will come to understand that the risk is between inflation and deflation (falling prices), rather than between inflation and disinflation (a falling inflation rate)".

In deflationary times equities tend to suffer in comparison with bonds, which have a fixed nominal value at which they will be repaid. The risk of deflation accordingly may persuade investors to sell equities and buy bonds – as in the 1930s. This will cause bond prices to rise and share prices to fall – sending their yields in the opposite direction.

Before the modern inflationary era shares yielded more than bonds, to reflect the greater risk of dividend cuts. In the US, at present, bonds yield more than three times as much as shares.

In short, the long bull market has depended on a favourable set of economic and corporate circumstances. While those circumstances might continue next year, Murphy's Law suggests that something somewhere will go wrong.

"Equity valuations are at sky-high levels," wrote Mr Barton Biggs this week, "and all the good news is already in prices. The cult of equities is too accepted. Reversion to the mean has not been repealed as a basic law of investment life."

"In 65 out of the 95 years in this century, stocks at some point declined at least 10 per cent from the previous year's high. My instinct is very strong that things have just been too good for too long."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Jobs shortage is Peru's real problem

From Mr Ricardo Dorich.

Sir, Your editorial "Peru's problem" (December 19) fails to underline Peru's real problem: lack of job creation. President Alberto Fujimori has indeed tackled hyperinflation and "the economy has enjoyed growth". However, this growth is at the macro level only and has not been reflected in the creation of jobs.

Peru is a country rich in natural resources and is now beginning seriously to capitalise on

them. The signing of the Camisea gas exploration contract earlier this year, which opens the door to one of the largest gas reserves in the world, is an example.

Mr Fujimori should now focus his attention on the creation of jobs in the private sector. As long as people are starving, terrorism cannot be abolished.

Ricardo Dorich,
Hyde House, Hyde Lane,
Long Sutton,
Hampshire RG29 1SJ, UK

Magic of a buy-back

From Mr Ian Kennedy.

Sir, What a pity that Lex ("UK buy-backs, December 12) continues to miss the real point about share buy-backs. In a share buy-back the directors are making an investment on behalf of the shareholders. The magic of an appropriately priced share buy-back is that it enables the directors to address the question of maintaining the appropriate capital structure in a business while making a very low-risk, earnings-enhancing investment on behalf of the shareholders.

The recent tax change has not altered this fundamental proposition – it has merely removed a tax subsidy from a group of investors who apparently no longer wish to continue as shareholders. This emphatically does not constitute a "waste of shareholders' money". Well done Sev. Trent and Powergen.

Ian Kennedy,
Baring Asset Management,
155 Bishopsgate,
London EC2M 5XY, UK

North-south divide in the UK not now so great

From Mr Peter Robinson.

Sir, I was as surprised by Stefan Wagstyl's article on the north-south gap ("Nice work if you can get it," December 19) as I was by the European Commission report which appeared to spark the article.

The claim the north-south gap has been getting worse in Britain is just not true. In the mid-1990s regional unemployment rates were more even than at any time in the last 70 years. When measured in terms of disposable

household income per head regional differences have also diminished in the last 10 years. And is the European Commission really claiming the UK has a more uneven pattern of regional development than, say, Italy?

To talk about the north-south gap in Britain is anyway an unhelpful simplification. If Mr Wagstyl had visited Harrogate or Macclesfield ("up north") and then contrasted them with Clacton or even Brighton ("down south") he would have realised that the pattern

Peter Robinson,
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of relative affluence and deprivation are far more complex than a focus on any north-south gap would suggest. It is the large conurbations and small industrial and resort towns in the north and the south which face the greatest economic problems.

Ian Kennedy,
Baring Asset Management,
155 Bishopsgate,
London EC2M 5XY, UK

Evidence suggests mystery of life is more than mere mythology

From Mr A. M. Sibley.

Sir, Philip Crowe ("The myths that make Christmas," December 14/15, like many modern thinkers, casts doubt on the truth of the Christmas story. It is a shame there are still many people who want to reduce the mysteries of life to mere mythology.

There is strong evidence, however, that the Gospel stories were written while many of the central characters were alive. Mary and

Jesus' brothers, James and Judas, as well as the Apostles were prominent in the early Jerusalem church and would have provided first-hand accounts of the events concerning Jesus' life. They were also willing to die for their authenticity.

And now what about modern myths? Is it really true that billions of US dollars are being spent in a vain search for life on Mars, and all because of a

large amounts of money? So was Jesus' birth a miracle? Yes, I believe it was, and it would seem that the existence, and the diversity and complexity, of life on Earth is itself a miracle, and a testimony to the power and wisdom of God.

A. M. Sibley,
53 Hazelwood Drive,
Verwood,
Dorset BH31 5YG, UK

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John in London

e-mail to: Santa
Claus
Subject: Gizmos and
gadgets wish list

Dear Santa,

I hope you don't mind me sending you an e-mail with this this year, but "small mail" to the north pole is so slow and expensive nowadays and you seem like a cool kind of guy.

By the way, perhaps you could see your way clear to including a new Internet package in the Christmas stocking. I particularly like the UUNet PipeX Internet kit which includes a copy of the *Rough Guide to the Internet* as well as software for connecting to PipeX which, as you know, is one of Britain's biggest Internet service providers.

While we are on the subject of Internet access, could you possibly persuade British Telecom to cut the cost of a high-speed ISDN connection. I think £199 (3332) up-front and £353 a year in the UK is rather steep.

Then I will be able to swap my slow old modem communications device for one of those neat ISDN terminal adapters like the Motorola BitSurfer. Perhaps surfing the World Wide Web and downloading complex graphics will then be a little less like watching paint dry. An annual subscription to *Wired* would also be welcome - the magazine is essential for Internet enthusiasts.

Incidentally, I never thought I would see the day when modems became fashion items, but I see Psion Datacom has a guy in a wetsuit modelling its new

brightly coloured lozenge-shaped high speed modem, which also features personal voicemail.

Useful stocking fillers now the kids are growing up would be a couple of papers - the ones that send real messages and not just numbers. Perhaps you could throw in a couple of those trendy "bungee" ropes to keep them firmly attached to suitable belts.

Another mobile phone would also come in handy - Motorola's StarTAC phone may be the smallest and lightest digital phone in the world, but still packs a bundle of cool features. But perhaps you might find in your workshop a spare Nokia 9000 Communicator which, as well as operating as a portable telephone virtually anywhere in the world, can send and receive e-mail and faxes and browse the Web.

While it lacks such sophisticated wireless communications facilities, Psion's Sienna pocket PC is also rather neat. With pocket PCs based on Microsoft Windows CE about to hit the shops, there is likely to be an explosion in software for handheld computers.

I suspect you will already be out in the shopping malls of Causeway Bay, much bigger crowds will be battling for bargains. Their spending should give an extra boost to retail sales, now reviving after the slump of 1994-5.

"Without an elected legislature there will be no defence for the rule of law," says Mr Yeung Sum, vice-chairman of the Democratic party, the largest group in the Legislative Council. But a few minutes away, in the shopping malls of Causeway Bay, much bigger crowds will be battling for bargains. Their spending should give an extra boost to retail sales, now reviving after the slump of 1994-5.

They will also be signalling business as usual as Hong Kong marks its last Christmas under the British flag.

The divergent messages reflect the mix of moods as the territory enters its final phase under British sovereignty. Most believe business will continue to buzz after the handover at midnight on June 30 1997. But few expect Hong Kong's political and social institutions to remain unchallenged.

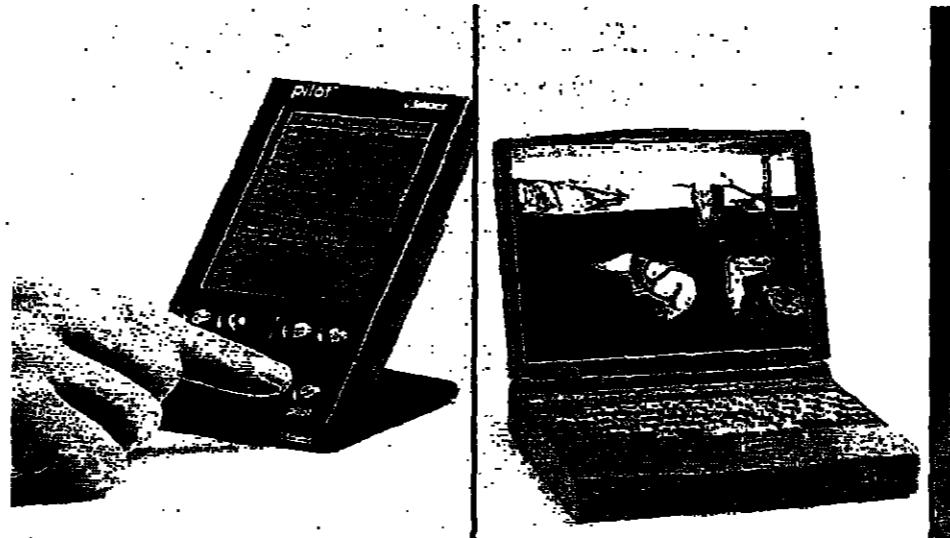
For the moment, optimism appears to hold sway. "Most of the 5m people are confident," says Mr Tung Chee-hwa, shipping tycoon and chief executive designate.

As the next governor, he has a vested interest in dispelling doubts. But, as he points out, the dire predictions of the 1990s that forecast exodus and capital flight have been left far behind. Emigration has slowed, the population is expanding steadily and Hong Kong dollar bank accounts continue to grow - both as a proportion of total deposits and in absolute terms.

"We have been through some shocks, like Tiananmen and the Sino-British disputes, and we have proved very resilient," says Mr Tsang Yok-sing, a headmaster and leader of the pro-Beijing Democratic Alliance for the Betterment of Hong Kong.

Certainly there is little evidence of anxiety. When a crowd has gathered in recent weeks, it has been more likely to be eager tail-hunters than political demonstrators. This month thousands flocked to King's Park Villa, an upmarket residential development on the Kowloon peninsula. Last weekend, around 50,000 people visited Sino Land's Dynasty View show flats in the New Territories, where 28 units were being offered at HK\$4,900 (£633) a square foot.

Most believe business will still buzz after the handover but few expect Hong Kong's institutions to remain unchallenged



Electronic stocking fillers: (left to right) the Pilot from US Robotics, Toshiba's Portege 650CT sub-notebook, and Psion Datacom's modems



the old notebook PC. It would be good to find one of the new Pentium-based multimedia notebooks like Dell's Latitude XPIII under the tree, or Sharp's new Widescreen machine, the PC-W100T.

If they are still too bulky to squeeze down the chimney, I hear both International Business Machines and Toshiba have launched snazzy new sub-notebook machines in Japan. Perhaps while you are there you could ask Nintendo when the Nintendo 64 games machine and Mario 64 game will be launched in Europe - I hear it is a hot item in Japan and North America.

Meanwhile, Nintendo's rejuvenated sleek and silver Pocket Gameboy would be a welcome gift. A Sony PlayStation, preferably with a copy of the Crash Bandicoot 3D game, would occupy the kids on Boxing Day.

But it looks like the video games makers could face some real competition in 1997 from the PC and CD-Rom software vendors. I read that Intel, the US chipmaker, is about to launch a new microprocessor called the Pentium MMX, which will bring much faster and higher quality graphics, video and games to the PC and tie in with Microsoft's new Direct 3D software standard.

There may not be many 3D games around yet, but 3D technology looks really hot and I see Microsoft is launching nine titles this Christmas. Perhaps you had better add Microsoft's *Monster Truck Madness*, *Deadly Tide* and *Hezbollah* to the list.

On CD-Roms, *Red Alert* from Virgin, *FIFA 97*, *Tomb Raider* and *Formula One* are all very popular. As an intellectual counterbalance perhaps you should throw in the latest version of *Microsoft Encarta*.

The hard disc on my home PC is already creaking under the weight of all the free software and graphics the kids have down-

loaded off the Net. So how about an Iomega 1 gigabyte Zip Drive - this takes removable 1gb cartridges offering a remedy for those irritating "disc full" messages.

On the subject of computer peripherals, the new low-cost colour inkjet printers from makers such as Epson, Canon and Hewlett-Packard are worth a look. Ahead of the arrival of digital video discs which will enable me to play movies on my PC, a recordable CD-Rom drive could also come in handy for data storage and distribution.

This looks to be the year to get into digital photography and

imaging. Among the manufacturers to launch digital cameras for the consumer market are Casio and Kodak. The latter's DC20 and DC25 cameras are particularly neat and come with software which enables you to send photo e-mails and print calendars and greeting cards.

Kodak's new Photo Scanner would also come in useful for clearing out shoeboxes of old snaps and storing them on my hard disc. The even snazzier PaperPort Keyboard combines a keyboard and scanner unit with excellent software.

Outside the home a GPS (Global Positioning System) unit like the Magellan 2000 could come in handy when I get lost on the M25; one of those in-car Traficmaster units might help me miss the jams.

Finally, I quite fancy one of those night-vision scopes which enable people to see in the dark. Perhaps you could use one too on Christmas Eve to avoid hold-ups in the increasingly congested skies.

All the best.

Paul Taylor

You can e-mail your Christmas list to Santa on the Net at <http://www.christmas.com> or <http://www.santaclaus.com>

Other Santa-related Web sites include:

• The North Pole - <http://north.pole.org>

• Santa Claus' Home Page - <http://www.cadvision.com/northpole>

• Santa's Workshop <http://home1.gte.net/santa>

• Where is Santa Claus? - <http://www.earth.com/santa>

Rising price of fine words

for three volumes on George Bernard Shaw.

"Hope springs eternal in publishers' breasts," says Mr Hely Hutchinson. "Oscar Wilde sold because of the sex and jokes, not because literary biographies were back in fashion. But publishers chose to think otherwise."

Literary novelists have also benefited from inflated advances. Last summer Salman Rushdie sold the world rights to his forthcoming novel, *The Ground Beneath Her Feet*, to Henry Holt, the US publisher, for £1.3m. And Faber reportedly paid a substantial advance for Kazuo Ishiguro's *The Unconsoled* after *The Remains Of The Day* sold 70,000 hardbacks.

Moreover, the least glamorous, but arguably most lucrative part of the Amis contract is the provision for Cape to retain paperback rights to all his books. Until



Malcolm Rutherford on how minority governments can cling on in the UK

Down but not yet out



Callaghan (left) fell in 1979 that nothing would deter the public from voting for Thatcher

"could see the whole of British politics being reshaped" - as indeed it was, though not in the way predicted.

But it is never easy to get a government out before its term is up unless it feels bold enough to make a run for it. In the late 1970s, the Tories failed with two no confidence motions before the successful attempt in March 1979.

On several occasions the government was defeated on confidence motions - such as the attempt to impose sanctions on Ford for breaching the government's pay guidelines in December 1978 - but survived a confidence vote the next day.

The trick for minority governments is to keep their nominal supporters in line by persuading them an alternative government would be even worse, while offering enough to the smaller parties to maintain their votes.

The first part is relatively easy. Almost all members of the mainstream political parties vote for their own side on a matter of confidence whatever they get up at other times. For example,

John Major used a confidence vote to ratify the Maastricht treaty in July 1993, after a series of defeats imposed by Eurosceptic Tory MPs.

Keeping the smaller parties in line is much harder because they know they can demand a price. The weaker a government becomes the greater the price they ask.

In the decisive vote of March 1978, the Tories were both lucky and clever. The

original motion of no confidence was tabled by the Scottish Nationalists (SNP) after the referendum on Scottish devolution on March 1 had failed to produce a sufficient vote in favour. The SNP was angry at the government's reluctance to proceed.

The Tories then put down their own confidence motion, knowing the SNP would look foolish if it did not support it. They also knew by then that the centrist Liberals were seeking an early general election. That left the Welsh Nationalists and, more important, the Northern Irish MPs who between them could have saved the government, at least for a few more months.

The three Welsh Nationalists were bought off with a promise, subsequently fulfilled, of compensation for lung diseases suffered by slate quarrymen. James Cal-

aghan, the prime minister,

represented a Welsh constituency and understood the problem.

The Irish, of whom there were 12, would probably have supported the government if it had pledged to build a gas pipeline from England to Northern Ireland

- but Mr Callaghan demurred. Nevertheless, the government had its eyes on two non-Unionist Irish MPs in particular: Gerry Fitt, the member of the mainly Catholic Social and Democratic Labour party who had previously supported Labour; and Frank Maguire, the Independent Member for Fermanagh and South Tyrone.

On the eve of the vote, Mr Fitt tried to talk to Michael Foot, the deputy prime minister, about his concerns over a proposed increase in the number of Ulster constituents that would have been a tip and the Speaker would have been obliged to rule in the government's favour.

One Labour MP could have produced the same result, had he been present. That was Sir Alfred Brough, a Yorkshire member

of the old Conservative party.

He was away at a by-election in Liverpool, and Mr Fitt voted against the government.

There was still Mr

Maguire. He was reportedly detained in the Labour Whips office and plied with Guinness to prevent him leaving the building. Mr Benn's diary records that Roy Hattersley, the price

secretary, was said to have given Mr Maguire three bottles of whisky and offered an

inquiry into food prices in

England to Northern Ireland

- but Mr Callaghan

demurred. Nevertheless,

the government was

defeated.

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UNIT TRUSTS

■ WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

	Old Mutual European
Johnson Fry Smaller Growth	1,461
Jupiter European	1,340
Gartmore UK Smaller Companies	1,333
NatWest UK Smaller Cos	1,299
Old Mutual European	1,278

BOTTOM FIVE OVER 1 YEAR

	Save & Prosper Korea
Save & Prosper Korea	553
Baring Korea	501
Old Mutual Thailand Acc	495
Schroder Saudi	418
Save & Prosper Southern Africa	403

Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

■ Indices

	Average Unit Trust
Average Investment Trust	1,024
Banks	1,038
Building Society	1,035
Stockmarket FTSE All Share	1,024
Inflation	1,022

■ UK Growth

	1 year (3)	5	10	Volatility
Jupiter UK Growth	1,122	1,038	2,053	3.7 1.8
Johnson Fry Smaller Growth	1,041	1,022	2,040	3.9 0.5
River & Mercantile 1st Growth	1,161	1,022	-	3.3 1.4
Credit Suisse Fellowship Inc	1,130	1,017	2,027	3.6 1.1
Savers UK Growth	1,149	1,048	2,049	3.8 1.8
SECTOR AVERAGE	1,081	1,046	1,889	3.5 1.9

■ UK Smaller Companies

	Gartmore UK Smaller Companies
Laurence Keen Smaller Cos	1,217
AES Smaller Companies	1,174
INVESTCO UK Smaller Companies	1,162
Credit Suisse Smaller Co's Inc	1,106
SECTOR AVERAGE	1,090

■ UK Equity Income

	Jupiter Income
GT Income	1,129
BWD UK Equity Income	1,126
River & Mercantile 1st Income	1,093
Lazard UK Income & Growth	1,075
MAPMI Income Dist	1,074
SECTOR AVERAGE	1,059

■ UK Equity & Bond Income

	Prolific Extra Income
Balfour Gifford Conv & General	1,076
N&P Higher Income	1,099
CU PTP High Yield	1,095
Edinburgh High Distribution	1,048
SECTOR AVERAGE	1,034

■ International Equity & Bond

■ International Equity Income

■ International Fixed Interest

■ International Growth

■ International Equity & Bond

■ International Equity Income

■ International Fixed Interest

■ International Growth

■ International Equity & Bond

■ International Equity Income

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA										EUROPE										ASIA																													
UNITED STATES (Dec 20 / US\$)					CANADA (Dec 21 / Can. \$)					AUSTRALIA (Dec 20 / A\$)					NEW ZEALAND (Dec 20 / NZ\$)					SINGAPORE (Dec 20 / S\$)					THAILAND (Dec 20 / Baht)																								
Day	20	Dec	19	Dec	18	High	Low	Vol.	P/E	Day	20	Dec	19	Dec	18	High	Low	Vol.	P/E	Day	20	Dec	19	Dec	18	High	Low	Vol.	P/E	Day	20	Dec	19	Dec	18	High	Low	Vol.	P/E										
Open	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Open	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Open	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Open	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Open	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Sett.	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Sett.	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Sett.	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Sett.	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Sett.	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
High	\$263.00	\$262.00	\$262.00	\$262.00	\$262.00	2279.00	2279.00	16,205	22,754	High	\$186.00	\$185.00	\$185.00	\$183.00	\$183.00	1841.00	1841.00	8,473	11,284	High	\$77.00	\$76.50	\$76.50	\$75.25	\$75.25	180,889	180,889	2,522	1,273	High	\$1,272.00	\$1,262.00	\$1,262.00	\$1,252.00	\$1,252.00	1,252.00	1,252.00	1,252.00	1,252.00	High	\$2,272.00	\$2,262.00	\$2,262.00	\$2,252.00	\$2,252.00	2,252.00	2,252.00	2,252.00	2,252.00
Low	\$260.00	\$259.00	\$259.00	\$259.00	\$259.00	2276.00	2276.00	16,205	22,754	Low	\$184.00	\$183.00	\$183.00	\$181.00	\$181.00	1841.00	1841.00	8,473	11,284	Low	\$75.00	\$74.50	\$74.50	\$73.25	\$73.25	180,889	180,889	2,522	1,273	Low	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Low	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Change	+\$1.00	+\$0.00	+\$0.00	+\$0.00	+\$0.00	+\$2.00	+\$2.00	+\$0.00	+\$0.00	Change	+\$1.00	+\$0.00	+\$0.00	+\$0.00	+\$0.00	+\$1.00	+\$1.00	+\$0.00	+\$0.00	Change	+\$0.50	+\$0.00	+\$0.00	+\$0.00	+\$0.00	+\$0.50	+\$0.50	+\$0.00	+\$0.00	Change	+\$1.00	+\$0.00	+\$0.00	+\$0.00	+\$0.00	+\$1.00	+\$1.00	+\$0.00	+\$0.00										
Open/Close	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Open/Close	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Open/Close	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Open/Close	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Open/Close	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Open/Close	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Open/Close	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Open/Close	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Open/Close	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Open/Close	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Open/Close	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Open/Close	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Open/Close	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Open/Close	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Open/Close	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Open/Close	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Open/Close	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Open/Close	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Open/Close	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Open/Close	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Open/Close	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Open/Close	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Open/Close	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Open/Close	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Open/Close	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Open/Close	\$261.00	\$260.00	\$260.00	\$260.00	\$260.00	2277.00	2277.00	16,205	22,754	Open/Close	\$185.00	\$184.00	\$184.00	\$182.00	\$182.00	1841.00	1841.00	8,473	11,284	Open/Close	\$76.50	\$76.00	\$76.00	\$75.25	\$75.25	180,889	180,889	2,522	1,273	Open/Close	\$1,270.00	\$1,260.00	\$1,260.00	\$1,250.00	\$1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	Open/Close	\$2,270.00	\$2,260.00	\$2,260.00	\$2,250.00	\$2,250.00	2,250.00	2,250.00	2,250.00	2,250.00
Open/Close	\$261																																																

Dow ahead after volatile morning Financials in the van as Stockholm soars

AMERICAS

US shares were mixed at midsession. Blue chips continued the rally which began on Thursday, while technology issues fell victim to a bout of profit-taking, writes Lisa Brenner in New York.

The Dow Jones Industrial Average jumped more than 75 points almost immediately after the opening, but it then gave back some of those gains; by 1pm it was up 36.14 to 6,569.78. The Standard & Poor's 500 also jumped at the open before retreating; by 1pm it was 4.92 stronger at 750.68. At that point, NYSE volume of 436m shares was on course to set a new record.

Technology shares were mostly lower after the rally this week, that put the Nasdaq composite, weighted

toward that sector, in reach of its record high by Thursday's close. In early afternoon trading the Nasdaq was off 5.78 at 1,290.08 and the Pacific Stock Exchange technology index was 0.7 per cent lower.

Analysts attributed both the heavy volume and the market volatility to activity related to the expiry of options and future on shares and share indices known as "triple-wedge".

The most active shares on the Big Board included Coca-Cola, up 1.1% at \$52.40, Merck, 1.3% stronger at \$52.40 and Compaq Computer, which shed 1.1% at \$76.76.

Gains on the Dow were restrained by a drop of 3.2% at \$155.40 at IBM, the computer group, which came as investors took profits from technology shares across the

market. Some of yesterday's weakest technology shares on the Nasdaq were the large capitalisation issues that had led the recent rally. Intel, for example, lost 2.2% at \$125. Dell Computer gave up \$2.40 at \$56.50 and Gateway 2000 shed 1.1% at \$58.50.

Investors clobbered smaller companies that warned they would not meet analysts' expectations of their quarterly profits. Articul Vascular Engineering, which makes devices used in heart bypass operations, tumbled 5.7% or 38 cent to \$54. Dendrite International, a software company, dropped \$1.10 or 5% per cent at \$54. Redhook Ale Brewery lost 4.4% or 32 per cent at \$39.

TORONTO continued to move ahead but trading was

relatively subdued after the previous day's dramatic 187 point advance. At noon, the 300 composite index was up 3.32 at \$547.52.

Consumer products were the strongest individual sector, helped by good demand for Seagram, which gained \$1 to \$54.90. Alcan Aluminum put on 30 cents to \$245.70 and Canadian Pacific gained a similar amount to \$243.10.

Banks, which turned in the best sector performance on Thursday, suffered profit-taking. Royal Bank of Canada came off 5 cents to \$647.45.

LIMA rebounded 1.5 per cent as the government adopted a tough stance against the Marxist guerrillas holding nearly 400 hostages in worsening health. By midsession, the general

index was 20.2 higher at 1,353.5.

SANTIAGO moved ahead steadily through the morning with the market driven mostly by good demand for the Endesa power plant giant which announced the purchase of a Colombian electricity operation.

At midsession, the SASE Select index was 0.56 higher at \$88.20 with Endesa, which accounts for around 20 per cent of the index weighting, moving ahead from the start.

CARACAS also made a strong start with the IBC index putting on 1.5 per cent at midsession, rising 94.01 to 6,344.56.

BUENOS AIRES ran into profit-taking after Thursday's 1.9 per cent rise and, by midsession, the Merval index was 3.49 weaker at 622.51.

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CARACAS also made a strong start with the IBC index putting on 1.5 per cent at midsession, rising 94.01 to 6,344.56.

BUENOS AIRES ran into

profit-taking after Thursday's 1.9 per cent rise and, by midsession, the Merval index was 3.49 weaker at 622.51.

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Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission. The data is now delivered by Exetel, part of Financial Times Information.

Details relate to those securities not included in the FT Share Information Services.

The prices are those at which the business was done in the 24 hours up to 5.15pm on Thursday, they are not in order of execution but in ascending order which denotes the day's highest and lowest trades.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

* Bargains at special prices. * Bargains done the previous day.

British Funds, etc

Treasury 9% Ls 2000 - £103.4% 1/2
(10/06/96)
Commodities Fund Ls 2001 - £109.1% (17/06/96)
Exchequer 12% Ls 59/2002 - £119.5%
Exchequer 9% Ls 2002 - £109.5% 7/4
(10/06/96)
Corporate Bonds Fund Ls 2003 - £111.9% (10/06/96)
Treasury 15% Ls 2003 - £118.7% 20/3
Treasury 18% Ls 2004 - £109.4% (17/06/96)
Treasury 21% Index-Linked Cw Ls 1999 - £177.5%
Annuities 2% - 32 (10/06/96)

Corporation and County Stocks

Brent (City of) 11% Red Ls 2008 - 122%
(17/06/96)
London (City of) 7% Ls 25/2019 - £75.1%
Newcastle Upon Tyne (City of) 11% Red
SK 2017 - 125.1% (12/06/96)
Nottinghamshire Gas (Area of) 13.25% - 38%
(12/06/96)
Reading Corp 3% Ls 2001 - 40% (12/06/96)
Sheffield (City of) 11% Ls 25/2019 - 125%
Buckinghamshire (County of) 11% Red Ls 2000 - 122.5% (10/06/96)

UK Public Boards

Port of London Authority Board of London 3%
SK 2000 - 125.1% (12/06/96)

Commonwealth-Government

South Australian Corp Inst 1916 or
Star (1916) - 35.1% (17/06/96)

Foreign Stocks, Bonds etc

Coupons Payable in
London

BAA PLC 5% Cw Ls 2006 - 98.7%
(10/06/96)
Aero-Domestic PLC 5% Ls 2009 -
125% (10/06/96)
Aero-Domestic PLC 7% Ls 2009 -
125% (10/06/96)
National Westminster Bank PLC 11% Red
Ls 2000 - 125% (10/06/96)
National Westminster Bank PLC 11% Red
Sub Ls 21/000 - 119%
Northern Counties Housing Assoc Ld 9% Red
Old Sec Ls 2025 - 107.9% (13/06/96)
General Electric PLC 5% Cw Ls 2000 -
108% (10/06/96)
United News & Media PLC 5% Cw Ls 2003
- 100% (10/06/96)
Debt Issuance
Programmes

Broadford & Bicker Building Society Coll Ptg
Ptg Ls 2001 - 100% (10/06/96)
Haberdashers' Society Coll Ptg Rs 2000 -
2003 Coll Ptg (B) - 100% (17/06/96)

Sterling Issues by Overseas Borrowers

Aldermaston Bank 11.125% Ls 2000 -
2010 - 124.5% (10/06/96)

Bank of Greece 10% Ls 2010 (Regd) -
111 (10/06/96)

European Investment Bank 9% Ls 2001 -
2004 (Regd) - 116.22 (10/06/96)

LONDON STOCK EXCHANGE - DEALINGS

Blue Circle Industries PLC 5% 2nd Dub Skt 84/2000 - 92 (10/06/96)	Commercial Union PLC 3.5% Cw Inst Ptg E1 1/10/96 - 100% (10/06/96)	Haymarket PLC 7% Cw Red Ptg E1 - 100%	Other Aircraft Group PLC 10% Cw Red Ptg 1/10/96 - 100% (10/06/96)	Edwards Investment Trust PLC 11% Ord 20/2000 - 100% (10/06/96)
Bouygues S & W Construction Water PLC 8.5% Ls 2000 - 100% (10/06/96)	Commercial Union PLC 3.5% Cw Inst Ptg E1 1/10/96 - 100% (10/06/96)	Hill & Smith Holdings PLC 14% 1st Mtg Dub SK 88/2002 - 100% (10/06/96)	Paragon Group PLC Ord 1p - 70	Edwards Small Companies Inst PLC 7% Ord 20/2000 - 125% (10/06/96)
Brown & Root 15% Ls 2000 - 112.5% Perm Inst Bearing Skt - 125% (10/06/96)	Commercial Union PLC 3.5% Cw Inst Ptg E1 1/10/96 - 100% (10/06/96)	Housing Finance Corp Ltd Cw Red Dub Ptg 1/10/96 - 100% (10/06/96)	Paragon Group PLC 10% Cw Red Ptg E1 - 100% (10/06/96)	Edwards Small Companies Inst PLC 8.25% Dub Ord 20/2000 - 145% (10/06/96)
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Footsie pushes ahead to new closing peak

MARKETS REPORT

By Peter John

With UK dealers starting the day after a near record rise on Wall Street, there was only one way for London to go yesterday.

Footsie opened at a new intraday high of 4,096.4 and the latest economic data on the current account deficit gave no cause for upset as traders jostled for position ahead of derivatives expires at 10.30am.

All the UK indices sailed effortlessly through the choppy waters of double witching – expiry of UK index options and Footsie futures. They coped equally well

with the eagerly awaited US triple witching, which included the expiry of individual stock options.

Then, when the Dow Jones Industrial Average built on Thursday's 126.8-point gain with a rise of 68 points in the first 15 minutes of trading, London reached for the sky.

The blue-chip index moved forwards smartly to touch the short-term high of the most upbeat strategists – 4,100.

The effort to reach that level proved too much, however, and Footsie slipped lower during the next couple of hours. It ended the day 26.3 higher but still at a new peak of 4,077.6, beating the previous

record set in late October by just four points.

The FTSE 250, which is less exposed to the rise and rise of Wall Street because the stocks in the index tend not to be traded internationally, lifted 41.6 to 4,448.4.

But it remained more than 100 points adrift of the 4,568.6 peak achieved in April.

All gains have been accompanied by impressive share volumes. This week has been the busiest for three months.

And while yesterday's volume was down from Thursday's turnover of 1.11m shares, when genuine customer business was

worth £1.5bn, it still came out at

a punchy 954.4m shares by 6pm.

There was talk that some big institutional pessimists, who have been very overweight in cash because of their fears that equities are set for a big correction, were beginning to lose their nerve and buy back into the market.

"These 'cash cows' have been milked so badly, they're turning bullish," quipped one senior equities trader.

Fingers were pointed at PDMF, the fund management company which has made a huge bet on a stock market correction of about 15 per cent.

But Mr Bob Sample, strategist with NatWest Securities, argued

that no big asset allocation decisions would be made before the year end.

Although a long-term bull of the market, he has put this week's moves down to a "panicky head of steam" blowing over from the US.

However, Mr Ian Williams, strategist with Panmure Gordon and another of the market's leading bulls, believed that nerves over a US correction are unwarranted.

"We still have some doubts about how sustainable the US is but the valuation of the UK and the valuation of UK bonds against equities is still good," he said.

TRADING VOLUME IN MAJOR STOCKS

	Vol	Closing Day's 000s pts change	Vol	Closing Day's 000s pts change
FTSE	668	4876	1	
FTSE 100	5,802	12574	-1%	
FTSE SmallCap	4,200	1,000	+1%	
FTSE 250	5,000	224	+1%	
FTSE 350	3,100	425	+1%	
FTSE 400	3,100	257	+1%	
FTSE 500	3,100	257	+1%	
FTSE 600	3,100	257	+1%	
FTSE 700	3,100	257	+1%	
FTSE 800	3,100	257	+1%	
FTSE 900	3,100	257	+1%	
FTSE 1000	3,100	257	+1%	
FTSE 1100	3,100	257	+1%	
FTSE 1200	3,100	257	+1%	
FTSE 1300	3,100	257	+1%	
FTSE 1400	3,100	257	+1%	
FTSE 1500	3,100	257	+1%	
FTSE 1600	3,100	257	+1%	
FTSE 1700	3,100	257	+1%	
FTSE 1800	3,100	257	+1%	
FTSE 1900	3,100	257	+1%	
FTSE 2000	3,100	257	+1%	
FTSE 2100	3,100	257	+1%	
FTSE 2200	3,100	257	+1%	
FTSE 2300	3,100	257	+1%	
FTSE 2400	3,100	257	+1%	
FTSE 2500	3,100	257	+1%	
FTSE 2600	3,100	257	+1%	
FTSE 2700	3,100	257	+1%	
FTSE 2800	3,100	257	+1%	
FTSE 2900	3,100	257	+1%	
FTSE 3000	3,100	257	+1%	
FTSE 3100	3,100	257	+1%	
FTSE 3200	3,100	257	+1%	
FTSE 3300	3,100	257	+1%	
FTSE 3400	3,100	257	+1%	
FTSE 3500	3,100	257	+1%	
FTSE 3600	3,100	257	+1%	
FTSE 3700	3,100	257	+1%	
FTSE 3800	3,100	257	+1%	
FTSE 3900	3,100	257	+1%	
FTSE 4000	3,100	257	+1%	
FTSE 4100	3,100	257	+1%	
FTSE 4200	3,100	257	+1%	
FTSE 4300	3,100	257	+1%	
FTSE 4400	3,100	257	+1%	
FTSE 4500	3,100	257	+1%	
FTSE 4600	3,100	257	+1%	
FTSE 4700	3,100	257	+1%	
FTSE 4800	3,100	257	+1%	
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FINANCIAL TIMES

Weekend December 21/December 22 1996

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Fujimori writes to Clinton as captives' living conditions deteriorate Peru's president pledges to protect hostages in Lima

By Sally Bowen in Lima
and news agencies

President Alberto Fujimori of Peru pledged to protect the lives of 380 hostages held by leftwing guerrillas in the Japanese ambassador's residence in Lima as evidence emerged yesterday of deteriorating living conditions inside the compound.

Mr Fujimori, who has made no public comment since the residence was seized on Tuesday evening, made the promise in a letter to US president Bill Clinton.

He said he was seeking "to achieve a solution as soon as possible to this crisis, the principal objective being the safe-guarding of the health and life of those who are inside".

A hand-written placard displayed from a window at the residence called for water, electricity and telephone ser-

vices to be reconnected. A second placard said: "Urgent, government, let NHK [the Japanese state television channel] come in." Counter-terrorist police, however, refused to allow journalists to enter the cordoned-off area.

There were suggestions of tension between Peru and Japan on the approach to be taken to the crisis. The Jiji news agency in Tokyo quoted the chief government spokesman, Mr Seiroku Kajiyama, as saying there was a "considerable difference between the views of Japan and Peru". Foreign ministry officials later denied this was the case.

Meanwhile, the hostages - all men since the release late on Tuesday of women captives - have been sleeping on the floor in cramped conditions and living on a sparse diet.

More deliveries of food and water were made yesterday.

written messages were passed between the hostages and their families, and a Red Cross representative was trying to negotiate clean clothing and portable toilets.

Mr Anthony Vincent, Canadian ambassador in Lima and one of five senior diplomats released on Tuesday, has emerged as a central figure in the negotiations with the 20 or so guerrillas from the Marxist Tupac Amaru Revolutionary Movement. The guerrillas have said they want to talk to Mr Fujimori and will begin killing hostages if their comrades are not released from Peruvian jails.

Mr Vincent met Mr Yukio Ikeda, Japanese foreign minister, yesterday. There were some expectations he would visit the Callao naval base where Mr Victor Polay, MRTA founder leader, is imprisoned.

Teams from all over the world have arrived in Lima to help with negotiations. The US sent a group "to advise the ambassador".

Mr Ikeda had arrived in Lima on Thursday evening, with a delegation of 20 diplomats and 90 other officials, and went almost immediately to meet Mr Fujimori and Mr Alberto Pando, prime minister.

Any decision to storm the residence would require authorisation from Tokyo since under international law

it is Japanese soil.

Japan has traditionally adopted a softer approach to negotiations with terrorists than Mr Fujimori. Reuters, however, reported the government as saying an emergency cabinet meeting had agreed "not to accept the demand to release any terrorists held in Peru's jails".

Teams from all over the world have arrived in Lima to help with negotiations. The US sent a group "to advise the ambassador".

Fishing quotas

Continued from Page 1

agreed when it joined the EU in 1985.

The ministers agreed a quota for North sea sole of 18,000, a rise on the Commission's 12,000 tonnes which would have meant a 50 per cent cut in the catch.

One of the biggest battles was over the allocation of rights to cod, herring, sprat and salmon in the Baltic. A re-allocation had to be agreed because Sweden and Finland's bilateral accords with Estonia, Latvia and Lithuania have ended following their accession to the EU. A deal involving Germany, Denmark, Finland and Sweden was agreed. Mr Tony Baldry, UK fisheries minister, claimed a victory after British catch quotas for next year were kept within a fraction of 1996 levels.

Clinton cabinet

Continued from Page 1

remaining as Treasury secretary, and Mr Gene Sperling, new assistant for economic affairs.

Their appointments had suggested the new administration might tilt towards a more conservative economic policy, with greater emphasis on budget deficit reduction and an avowedly bipartisan approach to domestic policy.

But the appointments of Mr Cuomo, Ms Herman and Mr Pena will be seen as a nod towards a more liberal approach. Mr Cuomo is a rising star in the administration whose credentials as a well-connected, liberal-inclined Democrat are unchallenged.

BNL alliance is favourite in Banco di Napoli bid

By John Simkins in Milan

Banca Nazionale del Lavoro and its partner Istituto Nazionale Assicurazioni emerged as the favourite candidates to buy a 60 per cent stake in the troubled Banco di Napoli when bids closed last night.

Under the rules of the auction, however, the chances of Mediocreto Centrale, the medium and long-term credit institution which presented the only other offer for the Italian Treasury's holding, cannot be ruled out.

The auction, which is part of a restructuring plan for Banco di Napoli, failed to attract any of the three overseas organisations which expressed interest in the tender process earlier. The narrow field underlines the lack of credibility of the Italian banking system which has suffered from political interference and poor profits.

Mediocreto Centrale was the only institution to commit itself to make an offer earlier this month and, as such, will earn the right to try again if its bid is lower than that of

Two offers received for 60% stake in troubled bank

BNL/Ina. The Treasury, advised by Rothschild Italia, must announce the highest bid by January 20. Mediocreto Centrale, if it has made the lower bid, will then have five days to match the offer and clinch the deal.

The eventual purchaser will have at least two months to conduct a "due diligence" investigation of Banco di Napoli's accounts and will have the right to revise its offer.

According to the Italian press, Mediocreto Centrale has so far failed to find a partner in its bid. As it is 100 per cent government-owned, the Treasury could stand accused of not achieving a genuine privatisation if Mediocreto Centrale were to gain control of Banco di Napoli on its own.

A successful purchase by BNL/Ina would produce a powerful banking alliance combining the branches of Banco di Napoli, which is strong in southern Italy with an 18 per cent share of retail banking, with those of BNL, which focuses on central Italy and the north.

The partnership might also make more attractive an eventual privatisation of BNL. Currently, 85 per cent of its shares carrying voting rights are held by the Treasury. For the recently privatised Ina, the deal would provide access to a banking network for its insurance products.

The winner is expected to have to find fresh capital for Banco di Napoli. The bank's estimated loss of about £1.600m (£1.650m) in 1996 will use up much of a £2.000m capital injection authorised by the Treasury this week.

The Treasury was criticised by Mr Karel Van Miert, the European Union competition commissioner, for allowing the capital increase without awaiting approval from Brussels, which has been concerned this might infringe state aid rules.

CS Holding expects \$1.6bn loss in 1996

Continued from Page 1

conomic stagnation in Switzerland. Swiss Bank Corporation, the smallest of the three, has already announced a SFr3.5bn charge, while Union Bank of Switzerland is planning a SFr4.4bn charge.

UBS is the only one of the three to have openly admitted

it made serious mistakes in its lending policy. SBC and CS have responded to the need for extra charges by changing their loan loss provisioning policy.

CS is following SBC and switching to a method where it sets its annual provisions according to a statistically expected credit loss rather

than actual defaults. As actual losses will be higher or lower than the expected amount, it is establishing a SFr2bn fluctuation reserve, or incremental credit reserve, as a cushion.

CS will charge SFr1.55bn of the cost of its SFr2bn incremental credit reserve to the profit and loss account.

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CS will charge SFr1.55bn of the cost of its SFr2bn incremental credit reserve to the profit and loss account.

THE LEX COLUMN

Tokyo tightens

Spare a thought for the Japanese government. With a budget deficit around 8 per cent of gross domestic product and government debt approaching 100 per cent of GDP, it naturally wants to improve its finances. But the economy also desperately needs to grow if the banking sector is to be relieved of the dead-weight of bad debts. By announcing plans to tighten fiscal policy next year for the first time in this decade, the government has bet that it can have its cake and eat it - cut borrowing without jeopardising the fragile recovery.

It is a big gamble. What little economic growth there has been over the past two years has been dependent on government efforts to pump-prime the economy; monetary stimulation has been ineffective in boosting demand. Now the government is hoping the private sector will take up the growth baton.

Whether it can bear the burden is doubtful. Government projections that the economy will grow by about 2.4 per cent next year are a full percentage point higher than the Organisation for Economic Co-operation and Development's forecast. If its sums are wrong, the consequences could be grave.

There is also the international angle; the US, in particular, would like to see Japan buy more of its goods. But a deflationary budget risks having the opposite effect. If Japan's trade surplus with the US balloons again, it will re-ignite old trade frictions. Of course, the government may lack the nerve to go through with yesterday's plans; otherwise, it will need to be both savvy and fortunate if what might be bravely done does not come to be seen as foolishness.

Sports goods

The time was when sports goods companies were cottage industries, known only to that happy band who enjoyed getting out of puff during their spare time. No longer. Now names such as Nike, Adidas and Reebok are among the most powerful consumer brands around. They are also very substantial businesses - Nike, for example, has a market capitalisation of more than \$1bn.

The shift from sports goods to leisure brands reflects both healthier lifestyles and the advent of sportswear as fashion. Acquiring street credibility has allowed names like Nike and Fila to sell to much larger markets than simply sports

participants. But the real impetus behind the sector's growth in recent years has come from a powerful blend of television, celebrity and fashion. TV provides huge publicity. But for a brand to acquire real sales potential it also needs endorsement by a celebrity player. If icons of popular culture like Madonna or the Gallagher brothers of Oasis add further, voluntary endorsement, the message becomes more powerful still.

All this is much less true of hand-wear manufacturers - a tennis racket has a far smaller potential market than a pair of shoes. Equipment manufacturers are faced with a further problem: stagnant markets in sports such as golf, skiing and tennis. Success is possible in these circumstances - witness Callaway Golf, which has grown to a market capitalisation of over \$2bn in around six years. But it requires an outstanding technical or design innovation - oversized metal woods in the case of Callaway, or parabolic skis.

However, technical innovation alone is not enough. If innovation is to be profitable, it must appeal to the recreational user rather than the professional. Another way to make money is to respond quickly. Fad sports like roller-blading and snow-boarding enjoyed phenomenal growth on negligible bases. But only those who saw the trend early made outstanding returns.

Investors may worry whether companies like Nike and Callaway can maintain their strong growth records. One way they can is through attacking new markets, both in terms of geography and choice of sport. Nike's \$200m-\$400m sponsorship of the Brazilian football

team, for example, is an aggressive attempt to muscle in on the football market, currently dominated by Adidas. Another option is to capitalise on a sport such as rugby, whose commercial potential is still in its infancy following the recent switch to the professional code.

Many of these sports stocks have rewarded investors handsomely this year. But their susceptibility to fashion still leaves them looking high-risk. Fila and Adidas remain salutary tales of how speedy the fall from favour can be, but their subsequent rehabilitation also shows that strong brands can bounce back. Fashionable apparel stocks clearly have greater growth potential than pure equipment companies; but even here the brilliant innovation will always command rewards.

UK textiles

With countless woolly jumpers and fluffy knickers being sold in the run-up to Christmas, Britain's textile manufacturers should be on a roll. Yet this allegedly cyclical sector has conspicuously failed to cycle; despite buoyant consumer markets, the underperformance of textile stocks has been unmitigated. This week's profit warnings were just the latest to unstick the market's threads.

As always, there are one-off excuses. But the underlying pattern is clear: retailers have simply been snipping margins down to ever finer levels. Part of the reason is that low inflation has constrained their own freedom to increase prices. But just as important has been competition from cheaper imported goods.

Still, the gloom should not be overdone. What remains of Britain's textile industry is not simply letting itself be competed into oblivion. Heavy cost-cutting is under way; indeed, part of the explanation for this year's grotesque results is heavy restructuring costs and associated disruption. Together with growing offshore production, these labours should help to stabilise margins - even without the price increases that one manufacturer, Claremont Garments, yesterday said it was finally beginning to see.

Moreover, the stocks are certainly cheap; the sector is trading at an average of less than 10 times next year's earnings and a prospective yield of more than 7 per cent. Value investors should be thinking of including some in their Christmas stockings.

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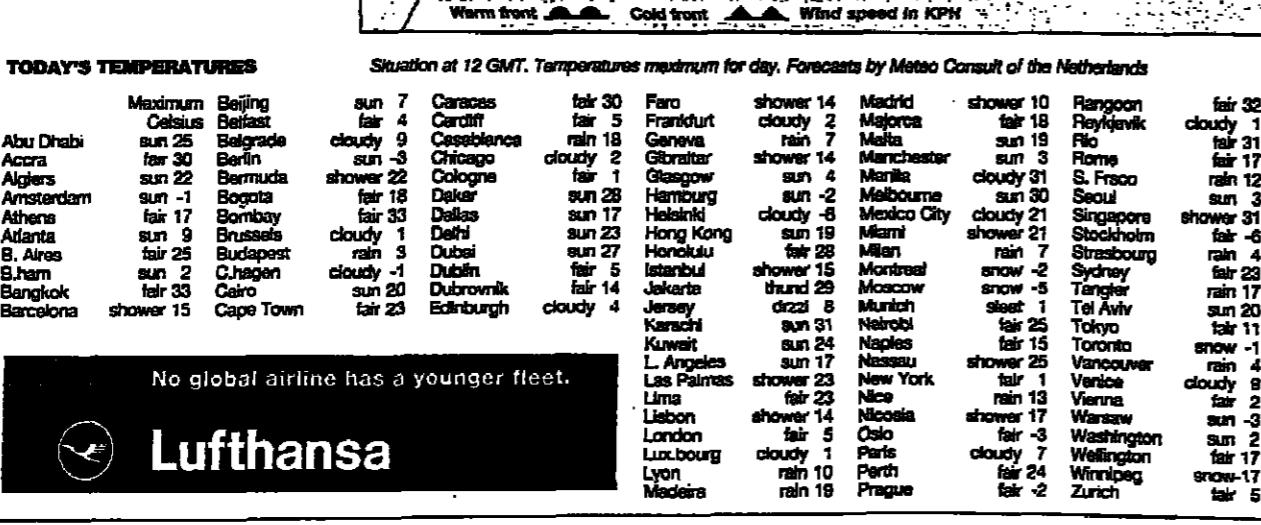
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The Daily Telegraph

motoring

Every Saturday in the Weekend section



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CUMMING

Joe Rogaly



Sacred and profane choices

The search for God continues despite the fear of ridicule and controversy

It is an unlikely setting for a Woody Allen film. We sit round an imposing oval-doughnut table listening to Prince Charles promote traditional Islamic culture. The camera slowly pans the rows of name-tags. It hesitates over a rabbi, a Church of England bishop, a Tibetan lama, a Hindu and a number of nominal Christians and devout Moslems. There are 70 of us.

Right there, Woody could play the little Jewish detective in a country-house drama. It would be his most important case. Who killed God? we clients might ask. Actually, Mr Allen has already thought of it. He wrote a short story 15 years ago. "Mr Big" is not set in Wiston House, where Prince Charles spoke. That country residence, celebrating its 50th anniversary as a conference centre leased to the British Foreign Office, is in a different universe from the metropolis inhabited by the maker of *Annie Hall* and *Manhattan Murder Mystery*.

Yet as we earnest seekers after truth sat round the doughnut we asked our

selves the very question posed by the predictably voluptuous client of the private eye in "Mr Big". She wanted someone found. Who? God. The Creator. The Underlying Principle, the First Cause of Things, the All-Encompassing.

Woody's first-person shamus asks a rabbi if he had seen Him, and gets the reply: "Me? Are you kidding? I'm lucky I get to see my grandchildren." The Pope, concerned, confirms that He exists, but only the Pontiff himself communicates with Him. Allusions to Socrates, Descartes, Spinoza, Kant, Kierkegaard follow. The denouement is suitably, a befuddling prose artefact.

I do not mean to sound irreverent. If we God-fearing agnostics have a prejudice, it is against the militant atheists among us. They tread on our secret hopes.

The world is more likely to be a creation than the self-creation implied by contemporary scientists. That was the central point of the Wiston House lecture-luncheon.

The sporadic headlines it

supposedly Christian heir to the throne reaching out to Islam. That is, shall we say, controversial. Heaven forbid that I should enter any such controversy. No, to my ears the central point of the Prince's speech, and the addresses that followed, was his assertion of a "sense of the sacred".

Science had attempted to take over the natural world from God, fragmenting the cosmos and relegating the sacred to a separate and secondary compartment of our understanding, he said. The need was for a "holistic" approach to life, a bridge between our physical and our spiritual natures. This talk was delivered a few days before the death of Laurens van der Post, whose teachings on such matters were central to any appreciation of his work.

All his obituaries noted his influence on Prince Charles, who has sought to become defender of "faith" rather than "the faith". The latter appellation restricts the monarch's horizons to the Church of England. Another controversy there. I

would let it pass, but the situation is too dire for that. To my mind, true believers are under siege by the followers of Mammon. Perhaps the faiths need to unite. A conglomerate could more easily proclaim the divinity. Whoops. Anyone who

wants to be taken seriously must step gingerly around this topic too. As the Prince remarked, the fear of ridicule, for even mentioning the name of God, is a "classic indication of the loss of meaning in so-called western civilisation". This is why I wring my hands nervously as I quote John Polkinghorne, a distinguished academic physicist who turned himself into an Anglican priest.

"We agree with those cosmologists who say... that science is privileged to participate in a reading of the mind of God," said the Rev Polkinghorne, "though we know that there is much more to the mind of God than science will ever be able to discover." His Wiston House remarks could be construed as an answer to those who imply that everything started with the Big Bang and evolved from there. (Anyway, what happened before that celebrated explosion?) "Our powers of comprehension vastly exceed anything required for the evolutionary necessities of everyday survival," observes our erstwhile professor of mathematical physics at Cambridge University.

If you are squirming with embarrassment at this point, take it easy. So am I. Those who deny the existence of a world that cannot be discerned by the five senses can disbelieve with confidence. Those who are blessed with genuine faith can proclaim their radiance without fear. The rest of us live in a spiritual muddle. One consequence is the growth of fringe religions, sects, cults, new age theories - a thousand rivulets running at tangents to the great streams of old. We have choice in everything, even matters of the soul. If we like we can "celebrate" a secular Christmas. Would you believe Woody in a red coat, white bearded on a sleigh? God protect us from anything like that.

To my mind, true believers are under siege by the followers of Mammon

groups, they will purvey the idea of "Sacred land - the re-hallowing of the environment of Britain". It will be a five-year programme, taking us across the end-of-century divide. I can hardly wait for the details. Let us just say that there will be some good walks along historic pilgrimage routes.

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must be no interruptions," said the German investor, aiming his spectacles at the man like a pistol.

"But the caller insisted. She said it was extremely urgent."

Charlie muttered an apology to the others and took the phone to the far end of the room. Natasha's voice came through the receiver, sounding smaller than usual: "Are you sitting down? Something has happened. It's Piers."

"Piers? What on earth has he been up to now?"

"I'm afraid Piers is dead," said Natasha, and burst into tears.

Charlie leant back in her chair, the receiver suddenly heavy in her hand. Outside the grey waters of Lake Geneva creased and wrinkled in the wind.

Two hours later, Charlie was on the last flight to London, her mind buzzing with thoughts, most of them bad. Unlike Natasha, she had never had an affair with Piers, and indeed had harboured suspicions about the great intelligence that others had claimed to see in him. Her view had always been that his talent for self-promotion considerably exceeded his talent for investment.

Still, it was an awful business, and his contribution to the bank would be badly missed. His contacts in the financial world were legendary. Indeed, it was Piers who had introduced the Geneva investors, a deal which had eventually doubled the size of Berwick's funds under management.

From what Charlie pieced together from Natasha, Piers had been staying at the converted windmill in Norfolk that he had recently bought. After spending the day supervising the renovations, he went to the local pub and drank heavily. Then somehow or other a fire started in the night.

Piers' bed was surrounded by boxes of books, building materials, cans of paint.

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A CHRISTMAS THRILLER

Collateral Damage

From Page I

thinner and the like. He simply never woke up.

The papers report similar incidents every day, but that doesn't limit the shock when it happens to someone you know well. Charlie thought of Susan, Piers' wife. It was she who had found the body, quite horribly burnt.

Susan had been totally devoted to her husband, more than Charlie could see herself being to any man under the sun. She had ignored his philandering, put up with his boorishness, made herself believe that he was the brilliant wit that he claimed to be.

Poor Susan! She had invested so much in that man. Charlie didn't want to think about it any more. She picked up her FT and leafed absentmindedly through the pages. The Labour party was still arguing about the minimum wage. Ken and Eddie had agreed to disagree about interest rates. Japan and China were quarrelling about some islands. Yeltsin was half-dead. Deng was three-quarters gone. And far below were the Alps, white and cold and perfect.

□ □ □

The funeral took place on the Sunday. Everyone from the office was there, including Natasha, who insisted on wearing the full gear. With her long black gloves and hat with a veil, she looked as if she had just stepped out of Dr Zhivago.

Charlie watched in fascination as Natasha greeted Susan with a gigantic hug. Susan reciprocated warmly, while shooting an angry glare at Charlie. She had obviously got the wrong end of the stick.

One thing that Natasha had said in the train stuck in Charlie's mind. She was surprised that Piers had been drinking so heavily, since it was only a few weeks since he had claimed to have given up entirely. He was getting extremely worried,

he had said, about the effects on his "pulling power" of a thickening waistband.

Typical Piers, thought Charlie. First, to say one thing and then do the reverse. Second, to imagine that his woman had any interest in the size of his waist, as opposed to the size of his wallet. Nonetheless, she thought it might be worth checking with Susan.

The opportunity came outside the church when everyone was milling around trying to think of something cheerful but not too banal to say.

"Fate plays such horrible tricks, doesn't it. And Piers had been such an abstemious character recently.

"You drove him too hard. You used up everything he had. Can't you see that?"

"Then the tears came

Everyone at the office thought he was on the phone.

Susan gave an almost imperceptible flinch, as though an unpleasant thought had hit her. Charlie decided to probe further.

"Perhaps he had been feeling the stress more strongly than usual," Susan sighed heavily. "Well, he had certainly been acting rather strangely. I think he was having difficulty in concentrating."

That sounded very unlike Piers.

"Really?" said Charlie. "Concentrating on what?"

"On anything. For example, he offered to go shopping the other day, and you know what he came back with?"

"What?"

"Two hundred cans of corned beef. He said we



"Wake up and smell the coffee will you!" he had snapped in response. "This is a secular bull market. In the words of Confucius, the fastest monkey gets the ripe persimmon."

That was typical Piers Montagu - American slang and phoney Chinese epigrams, mixed up and blended in a plummy public school accent.

Still, from the computer print-out on the desk in front of her, it looked like Piers had been prepared to "talk the talk," as he would probably have put it.

The Global Growth Trust had more than \$2bn of assets. Unlike Charlie's high-performance funds, it was supposed to be managed in a conservative "belt-and-braces" way, suitable for widows and orphans. That was not the story that the print-out was telling her.

When Charlie got to the last page, she paused, frowning. This section contained the unlisted stocks that Piers had invested in: private placements, venture capital funds, and the like. But the numbers didn't make sense. They seemed to

be at least two decimal points out of place.

She went back to the beginning, keyed in some codes on her Bloomberg terminal, and did a few sums on her calculator. No, everything else seemed to be in order.

With a sinking feeling in her stomach, Charlie rang through to the settlements department and asked for list of every single transaction that Piers Montagu had made over the past six months.

An hour later Charlie was sitting in the office of the Honorable Denis Moore, known throughout the bank as Dirty Den. She had never seen her boss look so shaken, not even when she had told him about the long position she was taking in South African shares in 1993.

"How could such a thing happen?" he mumbled unhappily. "What could he have been thinking of?"

"I've no idea."

"And what were complications doing?"

"I imagine he sweet-talked them. He was pretty good at that." As Natasha, Marie-Claire, Lianne and many others could easily testify.

Moore shook his head in bewilderment. "Five hundred million pounds," he said slowly, giving each word equal emphasis. "I mean, that's almost a half of our net worth. What are we going to do?"

Charlie wished he would at least stop asking questions. At bottom time he exuded an oily confidence, a card player working with a marked deck. Now he looked old, defeated by a world that no longer submitted to his comprehension.

"Well," she said. "I imagine the first step would be to inform the authorities."

Moore's Adam's apple bobbed. "Oh my god!" he moaned. "Imro, the fraud squad - the press."

Now he had his head in his hands. No doubt he was having visions of packs of journalists encamped outside his Pininco flat, snapping pictures through the hedges of his Hampshire estate, talking to his first wife, hoovering up gossip from the various people he had discreetly back-stabbed over the years.

"It has to be done, doesn't it?" she said.

"No, it bloody well doesn't," said Moore vehemently. "Not yet, anyway. Don't tell anyone about this. Not a soul, do you hear me?"

"I hear you, alright," said Charlie. "But I'm not sure I understand. Failure to disclose something of this scale could get us into even bigger trouble. These days, people are getting barred for less."

Moore got to his feet. "Let me be the judge of that. You've got a great future with this firm, Charlie. Play your cards right, and in five years you could be sitting in my chair."

He put his arm around her shoulder and guided her to the door. A double blow, a quarter of a century ago, Moore was still a handsome man, despite the dyed hair and the well-upholstered paunch. Charlie wondered if she could ever have been attracted to a man like that.

No, she couldn't, she decided. Because he was fundamentally stupid. Why pretend to be in charge of events that you couldn't even understand, let alone control? Why would anyone want to sit in that chair, anyway? He thought it was a throne, when it was really just a deckchair on the Titanic.

Charlie didn't leave the office until Wall Street had

closed. When she arrived at her flat in Covent Garden, Amos was already in bed. He was wearing nothing but a sleep-mask, his chest and shoulders glowing orange in the dim light of the table-lamp. She slid quietly under the coverlet and snuggled up to his warmth.

As she had suspected, he was only pretending to be asleep. It didn't take him long to sense that something was wrong. Having tried every technique in his considerable repertoire to smooth away her tensions, he finally picked her up in his arms, took her into the lounge, and dumped her on the sofa.

"Tell me about it," he said, wrapping a towel around his waist.

So she did. Over half-a-bottle of Laphroaig, she explained how Piers Montagu had invested nearly half a billion pounds into a handful of small private companies.

"What kind of companies are these?"

"No one knows. They are not listed on any stock exchange."

"So where has the money gone?" he asked.

"No one knows that either."

Amos was quiet for a moment, his sculptor's fingers knotted together under his chin. Those long strong fingers were what had attracted Charlie to him in the first place.

"Half a million pounds," he mused. "That's a huge amount, isn't it?"

"No, Amos," said Charlie gently. "Half a billion pounds. Enough to buy all the Henry Moores in the world."

"How could such a thing have happened?" he asked.

"It was the other thing that had attracted her. He knew nothing at all about money."

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As far as Charlie knew, he had failed to foresee every single change in fiscal and monetary policy of the past five years. Right up until White Wednesday, he had claimed that sterling's membership of the ERM would be "defended on the beaches".

More recently he had been lauded in the tabloids for his promise to breakfast on British beef sausages every day for the rest of his life.

The other was a more formidable figure - the last representative of the founding family on the executive board. He sat on the government benches in the House of Lords, and wrote an occasional column in The Spectator magazine on gardening. His first name was Stanley and in the bank he was known as Stan the Man.

Denis Moore got to the point straight away. "This whole thing could have serious ramifications, Charlie. It's coming at a very bad time."

"Extremely unfortunate," agreed Stan the Man without

raising his gaze from the wine list.

The MP affixed a large slab of paté to a crouton of toast. "The socialists have got the knives out for the City, mark my words. These Labour party front men may sound as if butter wouldn't melt in their mouths, but look at the fellows behind them. Something like this would give them a perfect excuse."

"Excuse for what?" asked Charlie.

"For whatever they want - salary caps, windfall taxes, public inquiries, you name it. Look at Scott! Look what happened to that poor sod from the power industry!"

On the other side of the table, Moore's Adam's apple was bobbling again.

"But those things happened under the current government," said Charlie, taking a sip of Evian water.

"That's exactly the point," said the MP triumphantly. "Under them it's going to be far worse. People's justice, the politics of envy, the works. You probably don't remember the 1970s Denis, how much was it that the Footsie fell from peak in '73?"

"Ninety per cent," said Moore dryly.

"If I might venture an opinion," said his lordship,

"raising his gaze from the wine list.

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"But those things happened under the current government," said Charlie, taking a sip of Evian water.

"That's what we're relying on you to find out, Charlie. Now, do have some of this excellent claret."

He was holding out the bottle expectantly. Charlie cautiously lifted her glass...

... TO BE
CONTINUED

On Monday: Things look bleak for Charlie. Don't miss *Collateral Damage* on Monday, Tuesday, Friday and next Saturday

All characters and companies in this novella are fictitious.

The Competition

The Last Word

Finish off *Collateral Damage* by suggesting a more fitting ending for the Peter Tasker thriller. Pit your wit against that of the author by bestowing his final line, which will be an old-style saying with a new twist, for example:

"When the year grows cold, we know the pine and the cypress are the last to fade."

"It never troubles the wolf how many the sheep be."

"It is the wisdom of rats, that they will be sure to leave a house somewhat before it falls."

Francis Bacon

"Tax is not a burden to the wise man - he has a clever accountant."

Piers Montagu

The challenge is to come up with a saying that is a modern take on that old format.

Details of how to enter will be published in the FT on Tuesday December 24 and Friday December 27. By reading each instalment, the observant reader will have a better sense of how it all may end.

The five funniest, original entries will receive an FT hamper hand-picked by its specialists: bottles of red and white wine chosen by Jancis Robinson, the FT's wine writer; the fiction and non-fiction books of the year, as judged by Annalena McAfee, literary editor; a classical and a popular CD selected by our music writers; and a couple of good taste goodies chosen by Lucia van der Post, How to Spend It editor.

CHRISTMAS CROSSWORD Set by Cineophile

A prize of a classic Pelikan Souverän 800 fountain pen will be awarded for the first correct solution opened from those received by Thursday January 2 1996. Five runner-up prizes of £25 Pelikan vouchers will also be awarded. Solutions should be marked Christmas Crossword on the envelope and sent to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday January 4.

ACROSS

1 I have a dominant note, still: it rains here just the same (7)

5 West African is first: am I not going to follow? (7)

11 Grain container that flies windward, having respect to the lady (8; 1-7)

12 Ferri structure in centre of fruit found by colleague such as policeman in green for certain (8; 8)

13 At a distance the establishment is a ridiculous thing (5)

14 Beg to say if you're guilty (5)

17 Purgative will require energy subsequently in fixer for planking, even briefly in nature's way (8; 8)

19 Barrow boy, accepting £1 for more expensive piece of cloth, put topless nun in her place

FASHION

Precious yarn spreads its appeal

Marion Hume looks at the designers who are giving cashmere a fashionable facelift

Cashmere, that most luxurious of winter fibres, has secured its place in the fashion sphere. Of course, the most traditional sweaters in this warm and expensive fibre always appeal. But what is exciting is the way that designers have pushed cashmere on, into both the slinkiest and most voluminous of shapes. Now, you can have it both ways: cashmere can be the height of fashion and in seasonal colours, or reliable in the form of the trusty twinset.

Michael Kors, Betty Jackson, Gucci, Giorgio Armani and Jil Sander are among today's purveyors of cashmere. The Jean Muir winter collection always includes a special cashmere piece, often featuring an abstract intarsia. In contrast, the American, Michael Kors' edict is plain, plain, plain. But his shapes are modern, being either super-sleek or sloppy Joe outsize. Betty Jackson has made the luxury classic jazzy by using it for stripy short-sleeved T-shirts. Jil Sander, the German designer, has double-faced cashmere coats which could roll up in a ball and then spring back to shape - except that one would not tend to do such a thing to a £3,000 coat in the first place.

What attracts the designers who are giving cashmere a fashionable facelift is its pedigree. The wool starts life on the necks and underbellies of mountain goats in the Himalayas, Mongolia and the Xinjiang region of China. Over the winter, this downy under-fleece keeps the animals warm. In the spring, when it is not combed out as a precious harvest, the goats would shed this fleece naturally on to rocks and bushes from whence, in the past, it would be collected, then cleaned and spun. With the demand for this limited resource today, things are a little less haphazard.

In the 16th century, Kashmiri craftsmen wove soft shawls of the fleece to wear against the skin through harsh winters.

By the 18th century, the British East India Company was buying these shawls and shipping them to Blighty, where they became greatly admired and prized. In Jane Austen's day, a cashmere shawl would cost between £200 and £300. By the 19th century, bold shawls of cashmere were something of a fashion must-have among the smart set in London and Paris. By the end of that century the Scottish industry



Oxblood coat, £1,595, TSE; black sleeveless top, £145 from Murray Allan at Scotch House; black wide-leg trousers, £265, Michael Kors at Harvey Nichols suede boots, £97, Hobbs Tel: 0171 489 2226

□ Pringle at S. Fisher, 22-33 Burlington Arcade, London W1. Tel: 0171-488 4180. General inquiries 01450-360259.
□ Shirin Cashmere, 11 Beauchamp Place, London SW1. Tel: 0171-361 1936. Murray Allan at Scotch House, 2 Brompton Road, London SW1. Tel: 0171 581 2151.
□ TSE, Selfridges, Oxford Street, London W1. Harrods and Harvey Nichols, Knightsbridge, London SW1. General inquiries 0171-253 4433.
Photographer: Wendy Carty
Make-up: Helen Walsh
Hair: Jean-Marie at Vidal Sassoon
Styling: Karen McCullough assisted by Alyson Walsh



Oatmeal hooded cardigan, £750, Shirin Cashmere; oatmeal sleeveless tunic dress, £410, Shirin Cashmere. Chocolate brown ribbed tights, £5.95, Jonathan Aston at major department stores. General inquiries: 0116 288 2388



Lime/grey double-sided cashmere scarf, £190; grey/cream/lime cashmere turtleneck sweater, £295; trousers, £535, Rebecca Moses at Browns, 23-27 South Molton Street, London W1. Tel: 0171 491 7833. Both Betty Jackson, Tel: 0171 588 7888



Taupe/grey striped cashmere sweater, £730, Lucien Pellat-Finet at Browns; Beige angora/cashmere mix trousers £270, Mimi at Browns (as before)

which barely resembles something mother would wear with pearls.

The cashmere twinset, invented in 1887 by Otto Weisz, then head designer at Pringle, soon became the cashmere standard. The most traditional versions still appeal when teamed with a knee-length skirt for opulent yet minimalist day wear. But also appealing are today's re-worked twinsets, with finer finishes and necklines that are scooped and more feminine. Pringle has a longer, skinny-rib twinset in this season's favourite colour, a milky pale camel:

a yarn spun in Italy by L'oro Piana, probably the top cashmere spinner in the world.

This works well in simple pieces such as sleeveless singlets designed to be worn under a tailored suit or, in more relaxed mode, under a huge, sweeping cashmere coat (such as the one shown here, in oxblood) by TSE.

TSE, which is made of Chinese-spun cashmere, is building its name among the fashion set. TSE's cashmere wrap-skirt works well over slim legs clad in this season's patterned tights. But the single item which everyone "in the know" desires most is a sweater by Lucien Pellat-Finet.

Pellat-Finet now works with Scottish mills for a range in two-ply cashmere that he calls his "ready-to-wear" line. But it is the Frenchman's four-ply line, made in French homes in the Sevigne region, that people find irresistible. Simple T-shirt shapes, a range of colours from bold stripes to baby soft tones, sweeping cardigans and probably the most pricey twinsets available make up the Lucien Pellat-Finet range, to which he adds satin palazzo pants.

His luxurious sweaters

take one day each to make and start at about £700 each.

"They appeal to a wealthy woman who likes quiet luxury and who does not want her clothes to shout out about money. And they work for her. I call it practical luxury," says Pellat-Finet.

People can get addicted to cashmere. This season, Liberty, in Regent Street, stocked 10 cashmere dresses,

by Shirin Guild, at £1,200 most humble items of clothing rendered luxurious by this precious yarn.

I have a pair of cashmere socks, which I have worn on walks up hill and down dale for the last six years. I have certainly never indulged them with gentle handwashing.

To be honest, they are getting tatty now. But they will

certainly last the winter.



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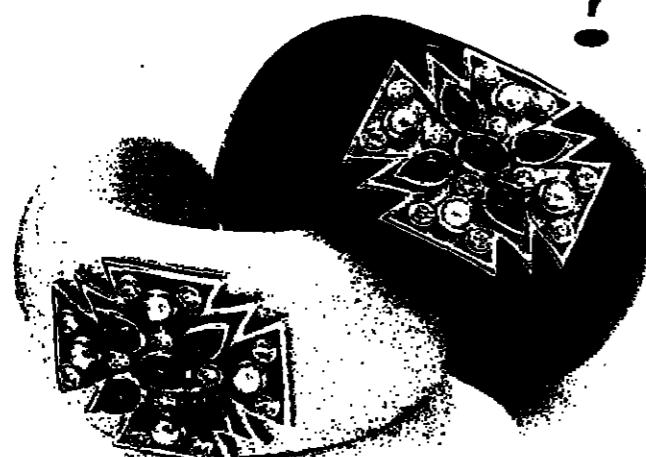
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SUNDAY 29TH DECEMBER 11am-5pm WEDNESDAY 1ST JANUARY 10am-5pm



V erdura's Maltese Cross Cuffs

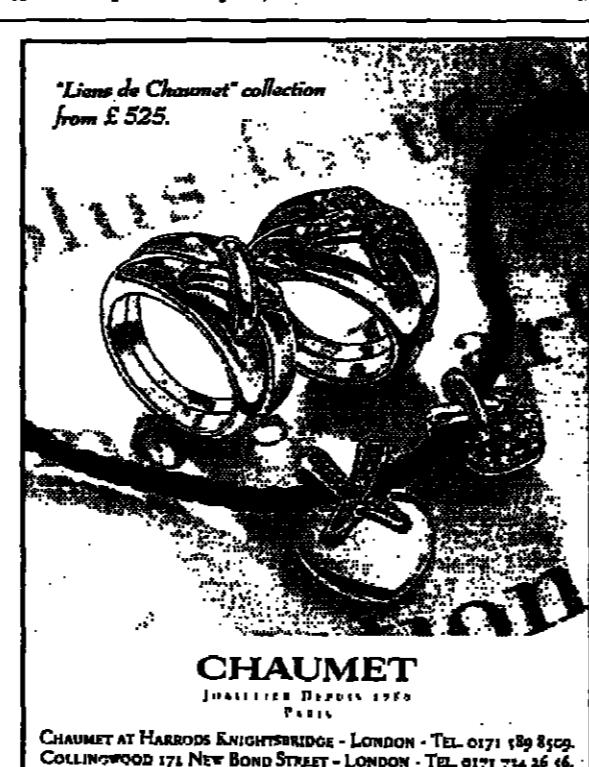
have become as famous as the couturière
he created them for. Was she ?



- a. Italian
- b. French
- c. German
- d. French

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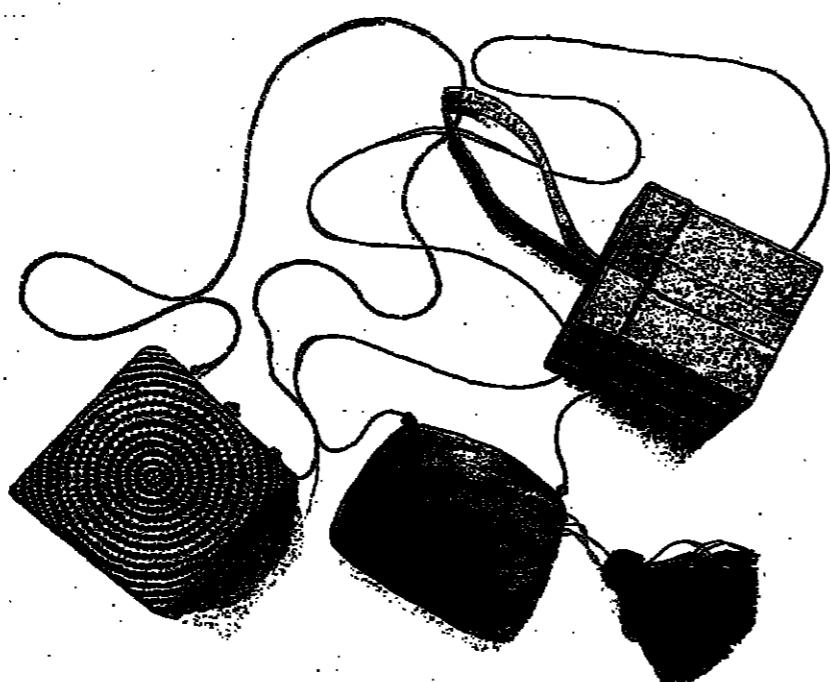


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HOW TO SPEND IT

Bright, beaded and sparkling little bags



(right) Silver present box bag in velvet, £165, by Lulu Guinness, 66 Ledbury Road, London W1 (tel 0171-221 9686); and Liberty's, Regent Street, London W1 (tel 0171-734 1234). (centre) Black lizard evening bag, £500, by Donna Karan from Browns, 23-27 South Molton Street, London W1 (tel 0171-481 7533). Black and white rhinestone bag, £1675, by Judith Leiber from Harrods, Knightsbridge, London SW1 (tel 0171-730 1234).



(left) 1920s black velvet and cut steel beaded bag, £495, from Merola, 178 Walton Street, London SW3 (tel 0171-589 0362). Gold velvet ribbon bag with sterling silver handle, £240, from Emily Jo Gibbs (tel 0171-490 8834).

Head west for stress-free shopping

Left gift buying until the very last minute?

Why not try London's up-and-coming - but stress-free - shopping spot. Tucked away behind the town houses of Holland Park, Clarendon Cross is a quiet little enclave of West London which boasts unusual, carefully selected merchandise that you are unlikely to find in the high street.

It is a civilised stroll from bustle-free Holland Park tube station: if you are driving it is relatively easy to find parking. The area at the junction of Portland Road and Clarendon Cross is dotted with fashionable shops but retains a village-like atmosphere.

Cath Kidston's household shop, 8 Clarendon Cross, has been an insider secret for some time, selling everything from swimsuits to fox files - and in her distinctive Fifties-inspired, floral prints. Duvet cover and pillowcase sets from £25 in petal pink, pastel blue or lemon florals make nice presents as do the cosy floral elderdowns (£40). Kidston's roses-gingham and spot print swimwear are a cult item and matching drawstring wash

bags (£12.50) are ideal for carrying them around.

If small children feature on your list, Bananas next door offers a good range of babywear and cute accessories, colourful wooden toys and teddy bears with interesting facial expressions - none above £25. The best seller is a miniature towelling bear that rattles (£5.50). Wooden block jigsaws of Father Christmas (£8.50) make good stocking fillers.

Foodies, Summerill & Bishop, 100 Portland Road, stocks an excellent selection of unusual and expensive kitchen gadgets from Italy and France. Maple wood chopping boards which double as cheese or charcuterie boards and knife sets would make welcome presents.

Covetable items include food or kitchen-inspired pictures on old wooden panels by Pepe Gran-Vercher (from £300).

Fellow shopkeepers all say it is the arrival of The Cross, 141 Portland Road - a shop combining a quirky mix of modern clothes, toiletries and accessories - that has really raised the profile of W1. There is something for everybody in this shop with boxes of handmade soaps, selections of bath oils by

Mio, beaded jewellery and evening bags and men's cashmere socks all ideal as gifts. If you are looking for a soothing gift for the man who has everything the huge three-wick candles (£52) are apparently a big hit with men who visit the shop.

Worth a visit - even just to browse - is Virginia at 88 Portland Road, an antique shop which has long been considered the jewel in the crown of London's vintage clothing shops by top designers and models. Donna Karan is rumoured to buy the vintage chiffon print dresses for inspiration.

Beaded evening bags and fringed shawls in devore silk chiffon make good presents for fashionable types - although there is nothing vintage about the prices.

For lunch, Julie's restaurant nearby is the obvious choice. Cullen's coffee shop on Holland Park Avenue is hugely popular for breakfast on a Saturday morning.

Clarendon Cross is certainly more civilised than Regent or Sloane Street for Christmas shopping - even if some prices are slightly higher and the selection of shops infinitely smaller.

Karen Wheeler

£100

50% off
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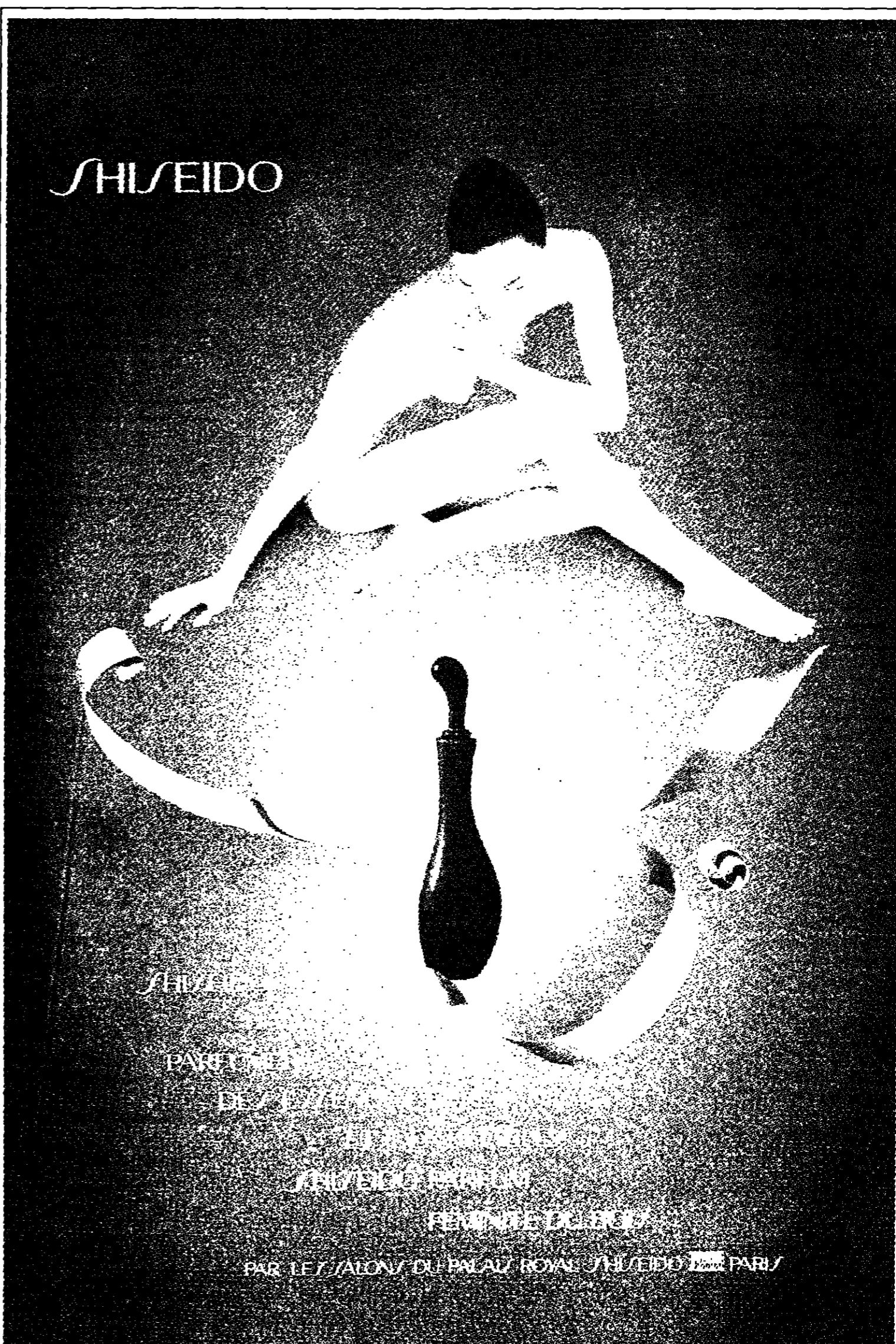
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PARIS / ALONG DU PALAIS ROYAL / VERSO L'EVEQUE / PARIS

(centre) White beaded shell bag, £25, from Steinberg & Tolkien, 183 Kings Road, London SW3 (tel 0171-378 3660). (right) Chocolate brown feather bag, £110, by Janine Puech from Harvey Nichols, Knightsbridge, London SW1 (tel 0171-235 5000). Red velvet bag with gold tassels, £120, by Johanne de Biolley, 29 Conduit Street, London W1 (tel 0171 495 4237).

Illustrations: Ashley Lloyd

Most high street stores stock tasteful black evening bags which will not clash with anything you might wear but they are in themselves a little dull. Instead you could arm yourself with a quality item that will not only last a lifetime but will give as much real pleasure as the right necklace or ring.

Antique items are all the

rage now prompted by the release of Evita and the revival of retro chic. Anybody scouring the better secondhand shops will find they represent wonderful value for money when compared with modern versions.

Steinberg & Tolkien on London's Kings Road, for instance, has an extensive selection of vintage evening bags with prices as low as £28 for a beautifully shaped shell bag with white beading.

Otherwise Merola in Walton Street, which tends to stock higher priced mod-

ern bags, has a good range of

fabrics. Her current collection includes sterling silver,

satin and velvet. Erickson

Beaman, at 38 Elizabeth

Street, London SW1 (tel

0171-259 0202) offers tail-

or-made beaded creations to

match any dress.

Lulu Guinness designs for

many markets. Her range of

luxurious bags in velvet and

lace are available at her

recently opened shop in Led-

bury Road, and start at £150.

But at Debenhams, for

whom she designs a special

range, a beaded design can

be snapped up for just £25.

Finally, the queen of the

statement evening bag has

to be Judith Leiber. Her

designer models, well-known

on the New York charity set

circuit, are now available in

the UK and prices start at £500. Crafted in colourful combinations of diamanté and beads, they are, to the unaccustomed eye, a little on the extravagant side - once seen, however, they will not be forgotten.

And if you lose your purse it will not be the credit cards you will be worried about.

HOW TO SPEND IT

Comfort is what is needed now. Things to make the last years of life easier, more luxurious and to lessen the burden of dealing with the intractable difficulties of the physical world.

Technology has made Shakespeare's dire forecast redundant. Instead of sans eyes, fading eyesight has been matched by larger, clearer television screens and more sophisticated sound systems. And there is the remote control.

Putting together a home audio-visual network is much like gathering friends for a dinner party and making sure that the right people sit next to each other - like your guests, the technology needs to be compatible. Given the reluctance of the man who is getting on to grapple with new-fangled gadgets, the best gift of all

A lot of comfort and a little luxury

Lucia van der Post on gifts for the man who has most things

would be to organise everything from start to finish.

Choose a new wide screen, get it delivered and have the system installed. This option is not cheap, with Sony prices starting at £400 and rising to £5,000 and beyond, but the seventh aged will appreciate the quality.

For Sony television stockists, ring 0990-111999 or try Bang & Olufsen, 56 South Molton Street, London, W1 (tel: 0171-355 1288), which has similar technology, but nicer packaging.

If he loves sport, give him Sky Sport, which will deliver

football, boxing, yachting and tennis to the point of saturation. There is one main sports channel, with two more at weekends, and the bonus of Eurosport, with most packages - handy if he is into tractor racing or second-tier snooker.

After a few hours of watching downhill slalom, it is time for the après-ski. The winter chills and misery kit - a half bottle of whisky, fresh lemons, cloves, cinnamon, honey and recipes for the perfect hot toddy - from The Gluttonous Gardener, costs £25 (tel: 0171-730 0775).

Shakespeare's seventh age

*Last scene of all
That ends this strange, eventful history,
Is second childhood and mere oblivion,
Sans teeth, sans eyes, sans everything.*

If he has got the alcohol, then the crystal must follow. Dartington specialises in heavy-bottomed glasses, difficult to knock over but not necessarily to knock back. Starting at £9.50 from Harrods, Knightsbridge, London SW1 (tel: 0171-730 1234).

As the man of seventh age

status could well have evolved into a couch potato - for which you are partly to blame having bought the satellite subscription - making him feel comfortable in his normal position (eyes front, hand on remote control, body settled into favourite chair) is a priority.

A blanket will keep him company, particularly if he

really does want to watch tractor racing. A 100 per cent cashmere blanket, available in classic navy, dark green and wine, costs £250 at The Scotch House, 2 Brompton Road, SW1, London (tel: 0171-581 2150). A travel rug, also 100 per cent cashmere, is priced at £250.

There is life beyond the living room, so make him a member of The Chocolate Society (tel: 01423 322220) for £25 which entitles him to buy from the mail order list of delectable choccy products (nothing but the finest

here made from high percentages of cocoa solids - no cheap concoctions of sugar, saturated vegetable fat and powdered milk) at discounted prices.

Alternatively, buy him a great big basketful of chocolate goodies from the new shop at 36 Elizabeth Street, London SW1W 8NZ (tel: 0171-252 9222). Or Divertimento (tel: 0171-386 9811 to order) has a "chocoholic gift box" for £34.95 - chocolate truffle sauce, a pack of cocoa-coated roasted almonds and a 100g block of chocolate nougat (contains 60 per cent cocoa

solids) as well as four little ramekin dishes for making that chocolate mousse.

A mobile phone makes a lot of sense. There are phone and call packages available from various manufacturers, but try The Carphone Warehouse for a reasonable deal (tel: 0800-925 925). It would be a good idea to sort out the details of the contract before delivery and to use a system which has the advantage of pre-programmed numbers.

If he has ignored Shakespeare's verse and still has excess energy, you could present him with a new challenge by delivering a very large and complicated jigsaw puzzle. A 9,000-piece scene of St Michael's Mount is available from Harrods at £44.95. It is said to be the world's largest commercial jigsaw puzzle, which is something to cite if he is still impressed by superlatives.

Fun and games at Christmas

Will this year's batch join our old favourites?

Come Christmas every family, every house party, needs a game or two to play. The old favourites, Monopoly, Scrabble, Happy Families, cards and dominoes go on forever but every Christmas there are new ones on the market, each hoping to become a new classic and make their inventors' fortunes. We asked a few FT writers to test some of this year's batch.

Hello!

£19.99, *The General Trading Company*, 144 Sloane Street, London SW1 (0171-730 0411).

Hello! - the game - bears little resemblance to the glossy, photo-filled celebrity magazine whose name is intended to sell it. On opening the box we found a cheap little board game, the bastard offspring of Ludo and Trivial Pursuit.

We decided not to fuss

with the die and plastic counters and discs, concentrating instead on trying the multiple-choice questions.

The questions, we are told, are based on 1985. The game is therefore nearly a Fergie-free zone.

Celebrity names, however, are racked by irritable vowels and inconstant consonants. A host of famous figures discover distorted *doppelgänger*: Emperor Aki Hit, Jane Austin, Kenneth Branagh, Jim Carey, Lewis Carol, Glen Close, George Eliot, the Brothers Grimm, Lloyd Grossman, Dennis Healey, Hugh Heffner, Ernest Hemingway, Patsy Kline, Anne Margaret, Leonard Nimoy, Scarlet O'Hara and Mary Shelly and Virginia Wolf.

Hello! told the FT it had licensed the game but had no role in its design or structure. It believed the game, launched 12 months ago, was now out of stock. That would be a blessing.

Clay Harris

£24.99, *From Just Games*, 71 Brewer Street, London, W1 (0171-437 0761).

It got me to thinking, so Edward de Bono's Mind Pack achieved its purpose. Several attempts to grapple with this self-improvement package led me to ponder: what makes a successful game? What skills do we learn by playing games? And, especially, who in the world is going to waste much time on this product without being forced to?

The most likely targets are square-eyed North American children, whose parents are desperate to find anything mind-improving to divert them from television or computer screen, and conscripts to management training courses.

The Mind Pack contains a 72-page book of exhortation and exercises intended to "discover the secrets of creative thinking" as well as

two decks of cards and some rudimentary board games. We tried a few "Thinkard" games - looking for connections between pictured items or creating a story based on a random selection of them - and quickly lost interest.

One of its drawbacks is an overweening and over-analytical earnestness: you are learning, this is good for you. In fact, you would be better off with an old-fashioned compendium of games.

Clay Harris

The games mentioned below are available from leading department stores.

Triominos

From £15 from *Just Games*.

Two-year-old Meredith is already an expert at family games. We were unable to lock our back door for a week recently because one of her games involved hiding the keys.

They were eventually

found inside a toy. So when a toddler's handful of triangular tiles - essential for the pursuit of Triominos, a three-sided version of dominoes - went missing, that was the place we looked.

I took Triominos to a family gathering last Sunday and asked my parents, and nephews and nieces to try it. The signs were not good. The idea is to amass points by matching the numbers in the corners of a tile to the ones already played. But instructions were haggled over and two versions of the game were played. Neither was wholly satisfactory.

Her solicitor father tried one round and walked away saying: "Serious lump game this." I understood what he meant as my mother took over at the head of the score-board.

Sadly, it is all too complicated and the scoring system too artificial and arbitrary.

None of us was sure whether this was a game of skill or not. The 56 tiles provide so many options and their triangular shape so many edges to play on that you could never be sure of blocking an opponent or planning a series of moves.

The instructions contained no helpful hints on strategy or tactics and after more than 1½ hours of play, I was not sure there was any strategy to be hinted at.

Trouble was, none of my opponents were prepared to stay around long enough for me to find out.

Peter Whitehead

Rapidough

£25, *From Just Games*.

Rapidough's inventors know what makes a good family game: anyone can play, the result is friendly mayhem, and it is over in about half an hour. It is therefore not surprising that Rapidough is one of the fast-selling games of the year.

Unfortunately, playing it can be a little wearing. Rapidough is like charades in plasticine. Each team picks a modeller who has to craft a word on a card for team mates to guess.

Words to be modelled range from easy (gnome) to impossible (curry). The modellers work simultaneously and there is a lot of shouting as their *oeuvres* take shape.

The team that guesses correctly gets to wield a plunger that takes a bite out of the other team's dough. Running out of dough ends the game and your bid for Rapidough stardom.

Sadly, it is all too complicated and the scoring system too artificial and arbitrary.

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Peter Whitehead

Brain Strain is the latest variant on Trivial Pursuit, that "knowledge" game where contestants chase around a ludo board and the winner is the one who has the most garbage-filled memory.

It is a serious improvement on Trivial Pursuit. For a start, it is a team game. Second, some questions actually require you to think. Try: What links RECORD, PRODUCE and PROJECT?

Some questions are silly - a cowboy rides into town on Friday stays three nights and leaves on Sunday. Explain. The team with the right answer moves a counter forward on a board.

If the answer is wrong, the counter moves back. The team that moves the counter to the opponents' end of the board wins. Questions are too difficult for children, but for teenagers or a child-free Christmas afternoon, great.

Danny Green

Pass the Bomb

£17.50 from *Just Games*.

As a child, there was always a moment of delicious anticipation as the new Christmas game was unpacked after lunch. The remotest possibility of beat-

ing siblings, or even parents, was too sweet to miss.

Alas, the anticipation was seldom matched by the reality.

Pass the bomb, however, would have pleased me as a child, and delights me as an adult. The game is simple. A pack of cards is shuffled and 13 dealt. On each card are two or three letters, ranging from "Ang" to "Yd" (I couldn't find a combination starting with a Z).

The object is for each player to think up a word which contain the letters. A die is rolled indicating whether the letters cannot be placed at the beginning or the end of the word. And then the bomb is started.

The bomb is a plastic ball with a string attached which makes a loud ticking sound. Its genius is that the length of time it ticks before exploding is random. Once the player has found a word he passes the bomb to his neighbour. The player holding the bomb when it explodes is given the card. The winner is the one with the least cards when all 13 have been played.

Pass the bomb will still be played in decades to come.

Paul Abrahams

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JULIA LALAUNIS

FOOD AND DRINK

The 1996 claret vintage in Bordeaux was made in the shadow of the commercially extremely successful 1995. US and affluent south-east Asian wine drinkers, only buy "blue chip" vintages, and are much less interested in their successors.

On the other hand, encouraged by global warming, many in Bordeaux thought that, following the hot August 1995, the hotter 1994 and the torrid 1995, a new weather pattern had been established. It was not to be. This year's weather was exceptional.

After a mild, wet winter that refreshed vines stressed last year, the prospects for an early budding were good; but they were dashed by a wet March - except for one day in the last week, when there was a heatwave.

Flowering was late after a dull, wet April, but suddenly, at the end of May, hot weather produced a rapid flowering that was over in two or three days. Nevertheless there was a good deal of colour (root-setting) of the flow-

ers) and *millerandage* (non-swellings of the tiny grapes); and many growers later cut the bottom leaves on either side of the vines to increase the sun's impact.

There was a good deal of summer pruning. June was warm, July was cool and August mostly wet and certainly not hot. The prospects were bleak, but fairly warm and dry weather took over from September 1-17.

A common adage in the Bordeaux vineyards is that "August makes the taste"; but recent years have shown that the decisive period lies in September.

The results were an exceptionally high sugar content - and northerly winds that dried the grapes. They were very little rot. Many could not explain the high sugar levels, but these were accompanied by higher than usual acidity produced by cool

nights. This did not worry the growers as the subsequent malolactic fermentation would reduce it slightly. The weather deteriorated after the 17th, but held up over the weekend of the 20th/21st, and the picking began almost universally on the 23rd and 24th, but stopped after a day of severe rain on the 25th.

Most of the Merlots were harvested in the first week or so, and the Cabernet Francs and the Cabernet Sauvignons, generally the main ripening problem, were picked from October 2 onwards in fine weather. The vintage was over by the 12th, and in many vineyards a few days earlier. The first vats of Merlot had very good colour with 13 per cent alcohol. The outlook for the vintage is one of strong, fruity wines with a good deal of tannin.

A commonly heard suggestion was that the vintage might resemble 1988 or 1986, indicating fairly slow developing wines: a *vin du garde*. But there were other views, including some as far back as 1986. These comparisons are seldom fulfilled, and prophecies are not uniform.

By the end of August much rain had fallen in the Médoc

right bank districts of St Emilion and Pomerol were much more affected.

Growers in the Médoc were genuinely optimistic, and also in parts of the Graves, including Haut-Brion, Dom du Chevalier and Haut-Bailly, where it was suggested that the vintage might turn out between *bon* and *très bon*.

So optimistic too were the leading growths which I visited: among them Lafite, Latour, Ch. Margaux, Mouton-Rothschild, Ducru-Beaucaillou, Cos d'Estournel and Léoville-Barton.

Of course, a final assessment cannot be made until the blending for the *grand vin* bearing the *château* label has taken place from early next year onwards. Nevertheless I received some shocks when I visited St Emilion and Pomerol.

Pierre Lurton at Cheval-Blanc was perfectly content. But it was a rather different report in some leading Pomerols. One proprietor said the year lacked heat, and Christian Moueix, traditionally somewhat pessimistic, and his oenologist for the whole domaine, Jean-Claude Berouet, said the vintage was *moyen*.

Moueix suggested, provisionally, that possibly he would make only 2,500 cases of Pétrus as against 3,600 last year. In all, it can be said to be a Médoc year.

Before the blending (*assemblage*), there is little discussion of probable price levels. After the record price sales for the leading 20 or so *châteaux* of 1995, there is little early interest, as happened initially with the 1990s after 1989.

Although the first-growth prices for the 1990s dropped

from FFr230 (£26.52) a bottle to FFr210, many consider the later vintage the better. At the time of this year's vintage, the price per bottle, in bond, on the Bordeaux market of Mouton-Rothschild 55 had risen to FFr650, Latour FFr490 and Lafite FFr450.

Obviously the Bordeaux négociants hope that prices for the 1996 will not rise, but the best that one of the leading Bordeaux brokers could suggest was a fall of 10 per cent for the leading wines and more of a drop on the right bank, a factor being lack of stocks at the *château*, save for a proportion of the 94s.

It is clear, however, that 1996 is not a claret vintage to be missed, but if it is like 1988, it may take a fairly long time to come round; but then 1988s are not for early drinking. The dry white Graves that were mostly picked early are good, and generally superior to the 1985s. The Sauternes too are much more promising than last year.

■ For information on the weather, I am indebted to Bill Blatch, of Vinter, the Bordeaux négociants.

Bordeaux / Edmund Penning-Rowsell

An unusual claret vintage



Cookery

A food lover's guide to the Balkans

Philippa Davenport on an exotic and remarkable culinary study and recipe collection

The cookbook that has charmed and interested me above all others this year is *The Melting Pot: Balkan Food and Cookery* (Prospect, £19.50, 384 pages), a remarkable culinary study of that deeply convoluted territory spanning part of the Middle East and part of Europe.

The author and illustrator is Sofia-born Maria Kaneva-Johnson, who married an Englishman and moved to Britain in 1985. She paints a loving and richly informative portrait based on inborn knowledge and years of research into the foods and cooking of the peoples that make up the Balkans, with their shared cultural roots and geographic, climatic, economic, religious and national diversity.

The result is an enthralling read, never dryly academic, combined with what must be the most extensive collection of Balkan recipes (300 or more) to appear in the west.

She argues that all European cookery began in the Balkans about 8,000 years ago. She points out that the Romans did not introduce any new crops to the area, rather that their conquests led to the dispersal of many Balkan plants and the craft of leavened bread-making, to other parts of Europe.

There are intriguing accounts of Bulgarian commercial market gardening co-operatives working abroad from the end of the 17th century, and the recent building of ovens barely changed in design from those of the ancient world.

The sense of continuity is striking. By force of circumstance, shepherds leading

A Slovenian porridge of millet and dried turnips may not be to everyone's taste

The Balkan diet was and still is based on bread, wheat flour and other cereals, supplemented by milk, cheese, yoghurt and generous quantities of fruits and vegetables.

The purity and frugality of many of the recipes bear witness to the ingenuity of people using basic, everyday ingredients - and they come as a lovely antidote to the frequent excesses and ceaseless quest for novelty that plague some British kitchens.

A Slovenian porridge of millet and dried turnips served with cream or pork crackling, may not be to everyone's taste; nor a sort of faggot made with lamb's pluck known to the Bosnians

as Malden's breasts. But there is a lot in this book that I want to cook time and again.

I am already more than mildly addicted to celeriac studded like globe artichokes and an exquisitely delicate Albanian recipe for poaching lamb then baking it in a trembling yoghurt custard. Salted walnuts, black olive stew, beef with prunes and chestnuts, apple kisiel, and curls of orange rind threaded on cotton, like the beads on a necklace, steeped in syrup, all sound irresistible.

To the stranger, many of the ingredients have an exotic ring to them (wild apricots, buffalo milk, cornelian cherries, quince, mulberries, sajep, pekmez, roasted flour, verjuice, winestones and walnut milk). The excellent background information given on them excites the travel bug in me. This is a very British reaction. I would guess, to judge by the extracts from the journals of such travellers as Lady Mary Wortley, Mary Durham and Patrick Leigh Fermor that dot the pages along with old proverbs and folk tales.

Kaneva-Johnson gives the name of each of her recipes in the languages of all the Balkan peoples who make it, to help explain the ancestry of the dish. I quote the Bulgarian names only in her seasonal suggestions.

TYURLUY GYUVECHI
(serves four as a main course or six to eight as a cold table dish)

Vegetable stews are not in the British tradition but the taste for meatless meals (occasionally if not daily) is growing apace and this dish commands its own



counts. The Orthodox Christians' Eve supper is traditionally based entirely on garden produce; and Kaneva-Johnson describes this dish as exceptional, healthy and very typical with its careful balance of ingredients. The ingredients list may be long but the method could hardly be simpler. Just the sort of thing to appeal in the run-up to Christmas.

1 medium aubergine (unpeeled but cut into cubes, sprinkled with salt and left to drain in a colander for 2-3 hours, then rinsed and squeezed gently to remove excess moisture); 2 medium onions, finely chopped; 400g potatoes, peeled and cut into small chunks; 400g tomatoes (fresh or canned), peeled and chopped; 4 medium courgettes, unpeeled but sliced; 250-300 young green beans (fresh or frozen), trimmed and cut into bite-size pieces; 100g young okra, the stalks carefully

pared away without cutting into the pod; 1 large green pepper, seeded and cut into squares; 250g frozen peas (fresh ones blanched in boiling water for 10 minutes); 1 large bunch of parsley, chopped; 2 teaspoons paprika; 5-6 tablespoons vegetable oil; 4-5 fresh tomatoes sliced into rounds for topping the stew.

Keep the sliced tomatoes to one side. Put all the other prepared vegetables into a large earthenware casserole or tureen measuring about 30cm in diameter and 9cm deep. Season with 2-3 teaspoons salt and the paprika. Pour on 4 tablespoons of the oil and mix all the ingredients thoroughly.

Arrange the sliced rounds of tomato on top. Sprinkle with the remaining oil and smooth the surface with the back of a spoon.

Bake in an oven heated to 190°C (375°F) gas mark 5 for 1-1½ hours until the tomatoes on top have browned.

There should be only a little sauce left in the dish.

Serve straight from the dish, either hot or cold, with a salad and fresh bread.

BANITSA SUS SIRENE

(serves 6)

A leaf pastry dish marks the high point of almost every Balkan festival and season; it is equally at home at

culinary as well as humbler tables. This particular dish (which may be prepared ahead and rewarmed) is eaten on both festive and everyday occasions. It is also served at the stroke of midnight on New Year's Eve with a silver coin concealed between layers of pastry signifying good luck and prosperity through the year for the finder (in Albania and Greece), or a coin plus cornel beans wrapped individually in little slips of paper foretelling the finder's good fortune (in Bulgaria).

300g filo pastry (if frozen, allow the sheets to thaw in

their wrapper); 200g feta cheese, soaked in cold water for half an hour; drained and coarsely crumbled with a fork (or 250g Cheshire or white Stilton cheese, crumbled and seasoned sparingly with salt); 3 eggs, separated; the whites stiffly beaten; 65g unsalted butter (or 40g unsalted butter melted with 2 tablespoons oil).

Keep the pastry covered with a damp cloth to prevent drying out. Just melt the butter and keep it warm. Blend the egg yolks with the cream or yoghurt, then stir in the cheese and fold in the stiffly beaten egg whites.

Grease a roasting tin 28 x 20 x 5cm deep, or a round baking tin 25 x 5cm deep, with some of the melted butter. Line the bottom with two pastry sheets lightly brushed with butter, buttered side up.

If the sheets are torn or too small, patch them with a piece from another.

Scatter over 2-3 tables-

poons of the filling, then continue laying buttered sheets, gathering each into tight folds before you trim off any excess - to introduce height and air - and scatter with filling after every second or third sheet, until all is used. Place the last two sheets of pastry flat on top, cut the stack with a sharp knife into six wedges or rectangles, and pour on any remaining butter.

Place the tin in the upper part of an oven heated to 200°C (400°F) gas mark 6. Immediately reduce the temperature to 180°C (350°F) gas mark 4 and bake for 20 minutes. Then turn the oven down to 150°C (300°F) gas mark 2 and bake on a lower shelf for a further 25 minutes. At the end of this time, the crust should be deep golden brown, the base underneath pale brown; if not, bake a little longer.

When cooked, let cool a little, then cut into portions. Serve warm or cold.

Finest Fine Wine by Jim Budd (Apple); **Guide to Wine Grapes** by Jancis Robinson (OUP); and **Wines of New Zealand** by Rosemary George (Faber).

■ Date for the diary in 1997 is Nantwich International Cheese Show to be held on the parkland of Dorfold Hall, Cheshire, on Wednesday July 30. More than 18 countries and 1,500 cheeses, butters, yogurts and dairy products are expected to be on display at what has become one of the premier cheese events in Europe. For more details fax Andrew Hunt on 01270-811421. *Jill James*

Appetisers

A cask-strength Laphroaig

fully sweet, fruity old whisky, and Benromach 27 (28.99) with its buttery-Bourbon character.

For anyone with £1,100 to spare, Hennessy has released "Richard Hennessy" which it claims are 150-year-old malts have been aged in sherry, port and madeira casks. The most successful are aged in the sherry and madeira casks (21.99).

Two collectors' items from

Brothers are the 1984 Single Highland Malt with its buttery-Bourbon character (21.99) and the 1973 Speyside (20.99).

A series of 15-year-old

whiskies, and Benromach 27 (28.99) with its buttery-Bourbon character.

Among the best cigar merchants around the UK are Davidoff (0171 930 3078), Alfred Dunhill (0171 290 6606) and J.J. Fox (0171 930 3787).

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London SW1; and Herbert Love, Edinburgh (0131 236 8052).

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has pulled out some Christmas plums this year. For the first time, it has released a cask strength Laphroaig at 57 per cent with all that wild spiciness and peatiness that Islay malt devotees love so much. Oddbins is selling it at a bargain £29.99.

Even more exciting has been the release of a 30-year-old malt from Ardbeg, Laphroaig's neighbour on Islay. For years now, malt lovers have been tearing out their hair to locate rare bottlings of Ardbeg.

This 30-year-old has a melodic sweetness which fails to conceal the smoky character of one of Scotland's very greatest malt whiskies. Financial Times readers can buy it at an exclusive price of £85 (the normal price from the distillery is £94.99).

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TRAVEL

Mirages that look like igloos

Desert ice was a popular commodity in the Iranian city of Yazd, says Scheherazade Daneshkhoo

For centuries western travellers were surprised to find ice in the Iranian desert. The inhabitants of Yazd, lying at the crossroads of the caravan route from India and central Asia, prospered through their trade in textiles, brocades and gold. But they also had an appetite for a less durable commodity: ice-cream.

A Dr C.J. Willis, an Englishman who worked with the Indo-European Telegraph Department in the 19th century, was impressed at the variety and sophistication of the ice-creams and sorbets. "The Persians well understand the art of making water-ices and ice-creams," he said, "and various ices unknown to us are made by them, as tamarind juice, pomegranate and cherry-water ices; and various ices of pounded fruits, as apricots and cherries, which are very good."

In the desert, where summer temperatures can reach 42°C or more, ice was made by building a long, shallow pool protected by a south-facing wall to shield it from the sun. The pool was filled with pure water from underground reservoirs - *qanats* - and after freezing overnight, was cut into blocks of ice before the onset of the sun's heat.

It was then stored in an adjoining ice-house, huge igloo-shaped structures which now stand empty. The thick shell of the mud brick dome, with a diameter of about 15m, offered good insulation.

I had always wanted to visit Yazd, not only for these ice-houses but also for its wind-catchers - known as

baad-gir - which act as natural cooling systems for homes. The chimney-like structures catch the prevailing winds and direct them into the adjoining house - the equivalent of air conditioning.

The size of the *baad-gir* was often related to a family's wealth - the richer they were, the bigger or more elaborate the *baad-gir*. The tallest in Yazd stands 33m high at the 18th century Dowlat-abad building, which was once a royal residence.

When I entered Dowlat-

The richer you were, the bigger or more elaborate the *baad-gir*

abad's gardens, it was overrun with Japanese and German visitors. I had not expected to see any tourists here, apart from the two Scottish friends who had joined us, but Yazd's desert architecture is beginning to attract more visitors.

Tadeo Yamada was an architectural student visiting Iran for the first time, and was clearly excited by Yazd. He was especially drawn to the city's wind-catchers, which have inspired a number of international architects to design natural air-conditioning systems for ecologically friendly buildings.

First, they asked whether they thought the available tourist information was adequate and whether they had found Yazd hospitable.

Then they asked whether they had encountered any difficulties in the Islamic

Republic. "Does wearing a headscarf bother you?" they asked Lucy. "No," she said politely. "Would it be a good idea if women in Europe also covered their hair?" they added. When she said it would not, they asked for her reason. She said it would be inappropriate since women in Europe were Christian.

"But would it not be better if Europeans were Moslem," they persisted. At this point, we admonished them for straying so far from the topic of tourism. After protesting faintly, they grinned and said these were not their questions but those of the wind-catchers.

We were thirsty as we



Yazd's tallest wind-catcher at the Dowlat-abad building, once a royal residence

Mehdi Hesari

hailled a taxi to make our way to the Jameh mosque and asked the driver to take us to a teahouse. Instead, he invited us to his house. We declined but he insisted and before we knew it the car had changed direction.

He informed us that he was taking us to his daughter-in-law's house, since his wife was spending the afternoon there. We were alarmed at the double inconvenience to his daughter-in-law of the sudden arrival of four visitors, but our protestations were to no avail.

The windowless sitting room was spotless and furnished with blankets for seats and pillows to lean against the wall. The whole family was present: two sons, daughter, son-in-law, daughter-in-law and the driver's wife. They served tea and the freshest of Yazd's famous sweets, tangerines and pistachios, amid polite chatter. We refused the invitation to dinner.

When we finally reached the mosque and began to take out a wallet, the taxi driver was offended that we had even considered paying him. We told him that we would pay for the taxi ride, but he still refused. As he drove off, wishing us a pleasant stay, I recalled Marco Polo's description of this city as the "Good and Noble city of Yazd".

Nicholas Woodsworth is busy in the vineyards of California

Some 7,000 miles after leaving the Atlantic coast of Nova Scotia, my little van and I coughed and spluttered our way into California. It was discovered, as is specialised as it is in any other field. "Gewürztraminer" is a premium varietal grape originating in Alsace; a *cachillo* is the sharp little crescent-shaped blade workers use to cut grapes from the vines.

At first, most outsiders, in fact, the working language of the California vineyards is wholly impenetrable. If Italian immigrant labourers were replaced by homeless and itinerant Oklahomans during the dust-bowl Depression days, since the 1960s vineyard work has been done almost exclusively by Mexican field hands.

Vineyard work has always been done by the needy, my harvesting companion said, because no one else will consider it - the work is hard, the hours long and the pay poor. Casillas is the vineyard manager where the valley's last, late autumn harvest was taking place. In full season he is in charge of 35 or 40 pickers; now, there were just a dozen of his countrymen spread out along rows of slowly yellowing vines.

In a raid on the vineyard, one out of three men ran for the hills

Off we went, reaching for ripe bunches of pearly pink grapes hidden under their canopy of leaves, slicing their stems, and dropping them into large plastic tubs.

As the day wore on, any vision of happy peasants singing in the fields evaporated with the mist. Grape picking is tough work.

In the morning, when fog rolls in from the Pacific and blankets the fields - this is the source of the Russian River's beneficial cooling effect on slow, even ripening - the weather is chilly. In the afternoon, when the sun burns the fog off, it is hot. When it rains the valley bottom's clay soils collect in heavy clouds around picker's boots. But above all, it is the great speed demanded of workers that is taxing. Paid usually by weight rather than the hour, my colleagues-for-the-day moved with the speed of lightning and left me exhausted.

Napa is also a world-beater in another domain - promotion and public relations. For more than two decades millions of tourists have been attracted each year to the narrow valley that is home to about 700 wineries. There they encounter magnificent art-filled properties, smoothly run, on-the-hour tours and tastings, and some of the slickest wine salesmanship around.

With a group of wide-eyed visitors from the mid-west I followed a bright and well-spoken young man around the estate of one of California's most renowned wine-makers, Robert Mondavi. In spotless, well-lit cellars our guide raised the veil of mystery surrounding such subjects as malolactic fermentation, phylloxera, and the origins of Mondavi's celebrated Fumé Blanc wine.

But somehow, I felt vaguely dissatisfied. I wanted to get closer to the grapes themselves. I wanted to get hands-on and sticky. Casillas, once an illegal alien, chuckled as he told of a US Border Patrol raid on the vineyard two years ago. For every three of his men who stayed put, one ran for the hills. Although controls are more stringent than in the past, counterfeit work documents are easily available and clandestine immigration remains the goal of many.

That evening, I camped among the now deserted and grapeless vineyards. I sat cooking in my van with another celebratory glass of wine in hand - bone-weary, I was roasting the achievement of simply having made it through the day.

The wine, of course, was Gewürztraminer. Like the previous bottle of Russian River wine, it, too, had intensity, character, and depth. That evening, I appreciated it all the more.

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SPORT

Football

Healthy, wealthy but is it wise?

Newcastle's Sir John Hall is a man for the shifting times on and off the pitch, says Keith Wheatley

Stock market excitement about the flotation of half-a-dozen struggling British football clubs is repeatedly being taken as evidence that the sport has never been healthier. Certainly it is wealthier. But to me the game is sick. Football has become a value-free zone.

Evidence this year, from Paul Gascoigne to George Graham, shows that whatever a football star does in the real world is excusable, forgiveable, forgettable. Whether the offence is wife-beating or making free with club funds, only those 90 minutes on the green rectangle count.

Paradoxically, such an attitude would scarcely have mattered a generation or more back. What players did then away from the pitch was scarcely reported. Their influence as role models - beyond dribbling and trapping - was minuscule. Nowadays footballers cannot be allowed the luxury of thinking that what they do beyond the touchline does not count.

Last week I bumped into Marco van Basten on the French Riviera. He had been playing golf and called into La Gaffe, a quiet place in Antibes, for a drink. Van Basten, a former AC Milan striker, has not kicked a ball in almost four years since being sidelined by a knee injury. Yet his arrival created as much attention as if Madonna or Tom Cruise had walked in.

"I still frightens and amazes me how much people follow the details of my life," he said. "I'm just a retired footballer living quietly in Monaco. Golf is about the wildest thing I do but I still get the media treating me like I'm a movie star."

Van Basten seems an admirable young man but he is far from the norm. Parents trying to bring up their children to believe that

cheating at Monopoly or Snap is indistinguishable from other more serious forms of rule-smashing are getting little help from the sport. As it infiltrates every sector of our lives, the pervasively negative example of many of its stars matters more and more.

Some sports journalists are anxious over the moral decline in the turf they cover. Patrick Barclay, one of Britain's most gifted football writers, wrote an extraordinary confessional recently in a journalist's trade magazine. Barclay declared himself so depressed by the sheer venality and unpleasantness of many of the sport's players and managers that he tries to avoid the off-the-field interview.

Barclay says the game still fascinates him and he describes the action on the pitch with great vividness, yet his reports of football's wider milieu seem to be written more in sorrow than in anger.

Sir John Hall is seen as one of British football's great movers and shakers. His creation of a strong team and a magnificent stadium for Newcastle United has been described - not least by himself - as a keystone in the revival of the economically depressed north-east of England.

Sir John has also turned his attention to ice hockey and rugby. His fight against the Rugby Football Union at Twickenham over the division of spoils from television coverage of the first-class game, still threatens to end in litigation and create a split to rival the 19th century fissure that created league and union.

The prospect does not bother Sir John. He has said that antediluvian structures at the RFU or elsewhere cannot stand in the way of sports club's near-divine right to turn themselves into profitable leisure companies.

If the underlying theme was really bread-and-circuses, the soc-

cer-crazy Geordies did not spot that. In a chilling interview on a radio programme, Sir John said that so many young Tynesiders were out of work and unlikely to have a fulfilling career that it was important to provide a successful, glamorous football club for them to support in order to preserve their self-respect.

For a self-proclaimed regional messiah it appeared a pretty low-level ambition. Newcastle United FC on a roll as a swap for jobs and economic independence had seen nothing like it. Money flowed like the Tyne itself, but in the end it was just retailing. Buying and selling. No one made anything.

For all the worthy interviews he gave about regional revival, Sir John was really just a shop landlord on an unbelievable scale. When he fought his way into control of events at St James' Park and the chairmanship of a once-great football club, he was showing once more his extraordinary antennae for the economic zeitgeist of a new decade. If the 1980s was shopping, then the 1990s was sport.

If the underlying theme was really bread-and-circuses, the soc-

cer become luxuries too expensive when set against the cost of marketing the product.

Fred Rosen, chief of the giant US leisure corporation Ticketmaster, recently described the imperatives with impeccable clarity. "I know there's rock concerts, and movies, and books and television and CDs and Internet and sport," he said, "but I also know this - everybody's only got the same two hours."

In the not-too-distant past sport was part of the continuum of a fan's life. They had played the game in school or college, possibly into young adulthood, cheered for a local side, cementing their loyalty to a suburb or city. It was important, passionate, but peripheral. Suddenly the stakes are too high. Every football club that just spent a fortune on a Brazilian striker, knows that it must fight and claw for Rosen's two hours. Despite the viewing figures, not all of us find it a pleasant spectacle.



Sir John Hall: a mover and shaker in British football and possibly ice hockey and rugby too

West Indian fans have been shocked speechless, says Canute James

No one, not even the most cynical, seems able to work up the courage to say: "I told you so." They, and particularly the most optimistic of West Indian cricket supporters, have been shocked speechless.

All agree that the team now in Australia is not the strongest fielded in recent years. The more outstanding bowlers have started down the far side of the hill, and the batsmen have not been at the top of their form. Much was expected, however, of the new pace bowlers and an improving middle order which included one of the game's best batsmen.

While West Indians conceded that this was expected to be a hard tour, many find it hard to swallow that less than half-way through, their team has lost the first two tests and the opening one-dayers. Worse, none of the encounters constituted a match in the real sense of the word. The finger pointing has started, and will inevitably gather pace even in the unlikely event that West Indian fortunes are reversed.

Voices are being raised about the team's composition. The attack is unbalanced, argue some. This was especially clear in Sydney, known to be a spinner's wicket. Yet the West Indians went into the tour with one specialist spinner. Emotion has obscured the other aspect of this charge. If there were to be a spinner, who would it have been effective? Well, say the cynics, regaining their voices, he could not have done much worse than the pacemen.

The sad truth which West Indian selectors and now despondent supporters have to face is that a four-pronged pace attack is effective only if there are four outstanding fast bowlers. And within the current West Indian attack, there is another imbalance with the continued reliance on Curly Ambrose. He has failed to fire and appears tired and disinterested as rumours mount of an impending early retirement.

There is also a persistent problem in the inability of the last six batsmen to put together more than 50 runs. And there is unfair pressure on Brian Lara to be consistently brilliant, as a result he seems to be trying too hard. His performance off the wicket is also worrying. West Indians who

thought troubled days of petulance were past, were unhappy at Lara's appearance in the Australian dressing room to invite Ian Healy, the Australian wicket keeper, not to visit the West Indians. Regardless of his feelings about an umpire's decision, and West Indian management apologies notwithstanding, this was not only a worrying act by a future captain, but will also detract from Lara's concentration on his batting.

This tour was supposed to mark a new beginning. In the wake of the troubled two years under Richie Richardson's captaincy and Andy Roberts' coaching, with indiscipline rife among the players, many thought that getting rid of them would have at once reasserted the team's dominance. A new board, which paid greater attention to the players, a new tour management which would be the envy of most teams, and a captain who is among the game's most outstanding performers, were among the ingredients which would return the West Indies to the top of world test cricket. But the team's approach so far suggests that not all the problems have been solved.

Listlessness is the reward to captain Courtney Walsh's efforts to instill some enthusiasm. Invariably, there are already questions about Walsh, and his ability in strategy and planning. It is also likely that next year will be his last with the team.

But those who question Walsh's leadership admit they are concerned about the attitude of their apparent Lara. Even in the deepest dependency, West Indians are not so churlish as to conclude that the fortunes of their team are the result solely of poor form and attitude. Clearly, the Australian team is one of the more talented, organised and motivated. They have got the formula right.

While the West Indians depend on two or three players to fire, and hope that others will support, the Australians have nine who can bowl. There is no shortage of individual talent.

To deal with this, the West Indians need to be at the very top of their game. Looking at their showing less than half-way through to the tour, they are far from it.

Motoring

Mature refinement

Stuart Marshall finds comfort in two similar flagship models

Superficially, the Toyota Camry and Mazda Xedos 9 - both V6-engined flagships of their respective marques - are pretty much alike.

They come fully loaded with electronically-controlled air conditioning, leather seats, automatic transmission, cruise control and power-operated sun-roofs, windows and mirrors. Their boots are huge, their styling restrained and, compared with many of the management-level saloons made in Europe and equipped to the same high standard, their prices are modest.

Camry V6 is listed at £24,608, the Xedos 9 at £27,850. The Xedos has a traction control system and CD autochanger, which the Camry lacks, but Toyota does provide Camry buyers with power-adjusted front seats.

Mazda says nearly all Xedos 9s are company-owned and driven mainly by middle-aged men earning up to £50,000 a year. Clearly, the Camry V6 attracts a similar kind of user. For younger, more thrusting people, Toyota is introducing a 2.2-litre, four-cylinder Camry Sport next month, with lowered suspension, some subtle



Lewish: Toyota Camry (left) and Mazda Xedos 9 V6-engined saloons aimed at business executives.

go-faster body add-ons, larger wheels and Connolly hide trim.

Being neither young nor thrusting, I doubt whether it would appeal to me as strongly as the 3-litre V6, because I reckon this car enshrines all the things mature motorists value. It offers great comfort, has more than adequate performance and so low a level of background noise that journeys are unfatiguing and radio listening enjoyable.

The Camry is not well known in Britain. Even if Toyota doubles its current level of sales and realises its 1997 target of 1750 registrations, fewer than two in 100 management-level user-choosers will drive a Camry. It is all very different in the US; well over 250,000 locally-manufactured Camrys were

sold there last year, making it the most popular car in its class after the Ford Taurus and Honda Accord.

Although the Camrys sold in Britain come from Japan, not the US, they still have an American feel about them. The suspension is quite soft, especially at the front, and the ride almost Jaguar-like. Sensibly driven, the V6 Camry handles nicely, though I suspect the users Camry has in mind for the sporty 2.2-litre version might think it a bit woolly.

The automatic transmission is ultra-smooth and its clever electronics first detect, then adjust to, individual driving styles. Thoughtful touches include a sunglasses holder above the rear-view mirror, fog lights that turn off with the headlights, a tissue packet holder built into the centre console and a front bumper designed to withstand small impacts.

After a week spent driving the Camry, my first impression of the Xedos was that it felt much more European even though it is made in Japan. The ride, though comfortably shock absorbent, was firmer, the steering response quicker and there was more road induced noise. Did the Xedos, I wonder, have its tyres and suspension tuned for billiard table surfaces in Germany rather than coarser, stone-chipped secondary roads in Britain?

The Xedos 9's engine is of 2.5-litres capacity against the

Camry's 3.0-litres and is slightly less powerful, yielding 165 horsepower against 188 bhp. Maximum power and torque (pulling power) are developed at higher revolutions. This reflects a heavily "over-square" design, with a much bigger bore than stroke, whereas the Camry's V6 has a substantially longer stroke than bore.

The automatic transmission of the Xedos takes up the drive quite sharply; when driven hard, upward changes are noticeable. Even with a relaxed driving style, they take place at higher revolutions than in the Camry but the engines of both cars are never less than turbine smooth.

Camry is considerably lighter than Xedos and is quicker off the mark - 0.82mph (0-100km) times of 9 and 11 seconds respectively are claimed - in real world conditions, the difference is not obvious. Both have theoretical maximum speeds of 130mph/210kph; users could expect about 25mph (113 1/100km) in normal use, giving a safe refuelling range of 350 miles/560km.

Neither Camry nor Xedos has the aura of an Audi A6, BMW 5-Series or Mercedes-Benz E-Class - this depends more on perceived status than performance, equipment levels or even value for money. But as alternatives to any of the posh models from European high-volume producers, they look very attractive.



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Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

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Unless help is given, soil is exhausted very quickly by "slash and burn" farming methods. New tracts of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Plana, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



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PERSPECTIVES

For the 50th time this year, Veronica Sloane Wallys threw the Weekend Section of The Times straight into the waste paper basket, having failed to find anything helpful in any of it, and gazed with slight unease into the imminent future.

Ten years have passed since she and her husband Julian made the move from London's Onslow Gardens to their not so old Rectory near Horsham where they have been working to create a significant new garden on a site which they now like to claim was a green field when they arrived.

This year's drought has done nothing to upset Veronica's particular triumph, her hedge of rose-purple Berberis which is pony height beneath a well-developed line of yellow-variegated *Acer drummondii*. What worries her is less the horticultural prospect than the clouds gathering on the social and political horizon.

Twenty years ago, Veronica vowed to have nothing more to do with Labour, a decision which the emergence of New Labour has done nothing to diminish. As if by default, she hears her Sussex neighbours sliding towards a

predicament which any Sloane Wally can see coming a mile off.

The New Labour government will be so restricted in scope for economic change that it will win its radical, pink spurs by attacking the symbolic targets which make a Sloane Wally's life worth living.

Veronica has never cared much for fox-hunting, but she does not wish to see VAT on the private schools which made her husband's friends the people they are.

She wants to retain the freedom to call a fellow-female a stupid cow without being sued for incorrectness. She cares about green issues, but not if they are

high on the social and political horizon.

Friends who seem much less perceptive than she are struggling to find new businesses, the seed-corn of the new socialism.

When Veronica reached Valu-

ing Families, she remembered her near-certainty that inheritance tax will wipe out all but the most basic legacy from Julian's ageing aunt, and that families who sit still will find themselves ground down by the Levy on Surplus, which will salvage the promises not to raise taxes. What the Sloane Wallys need is a new small business, coming on stream as the tide of pink sweeps south-east from Basingstoke. The problem is what the business should be and what it should be called.

It all fell into place, however, while the pair of them were watching TV.

In summer scenery, the garden-adviser Rosemary Verey was to be seen congratulating the favoured owners of very great gardens in Britain from Cheshire to Suffolk. Before long, Veronica

recognised the scarcely-aged features of one of the 1968 debutantes in a photograph album of events in their own lives and finding country craftsmen who will do things remarkably cheaply which they can then sell for a remarkably high price. The core product of Social Structures is to be a fancy trellis of ironwork, arranged into an arch and made by one of the old blacksmiths near the Sussex Downs. Into its gaps, Veronica has placed supports for waterproof frames and covers which will display duplicate photos of favourite moments in the customer's life, bringing to the garden the array of framed moments usually left on the piano.

Julian always remembers how he found a copy of the late Lady Falkender's memoirs *Inside Number Ten*, in the maths section of a bookshop for the Socialist Workers Education Association. He is quietly confident that Social Structures will be similarly misinterpreted and will qualify for tax relief and community grant on the back of the new programme of elite markers.

night in the Sloane Wally's main target area, small back gardens in the more fashionable end of Fulham, where research suggests that the new intake of corporate financiers will be uncertain how to spend yet another bonus.

Orders have yet to materialise, although Julian has high hopes of the French market and there has been some interest from one of the councils patronised by Lord Snowdon. Neither partner is particularly worried because they know that a good idea takes some while to blossom and that next Christmas, the start-up grants for linguistically-correct inner-city enterprises will be coming on stream from the Harman Funding Exercise.

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Gardening

Sussex verges on the pink

Robin Lane Fox finds the Sloane Wallys facing up, in traditional fashion, to blasts of hot Blair



Maria and Andrew Hubert von Stauffer are back on course and back in business

Chris Irons

Minding your Own Business / Clive Fewins

Christmas all year round

The Christmas decorations remain in evidence throughout the year at the Hubert von Stauffer's house. They come from all over the world, and there are hundreds of different types and styles.

"Officially we have stopped collecting Christmas mementoes and decorations, but when people offer us irresistible items we accept them with gratitude," said Andrew Hubert von Stauffer.

In spite of selling the greater part of her collection of Christmas artefacts to a Japanese conglomerate for £1.2m in 1991, Maria Hubert Von Stauffer still possesses some 30,000 documents connected in some way with the subject of Christmas.

They are tucked away in boxes in odd corners of the 16-roomed house, perched on the edge of the Wye Valley near Ross-on-Wye, Herefordshire. Much of the rest of the building is still crammed with Christmas memorabilia ranging from eastern icons to crêpe candles, festive garlands and china figurines.

The Count and Countess Hubert von Stauffer - Andrew (André) is from an old central European family - are Christmas consultants. They work all year on Christmas projects, from supplying film and TV companies with props to writing books, carrying out Christmas research for publishers, lecturing, organising Christmas-themed exhibitions and doing general consultancy on Christmas history and traditions.

They started Christmas Archives International in 1976 and ran it from a ter-

raced house in Cardiff until 1991, when health problems and lack of space made Maria decide to sell the collection she had built up over 40 years.

The last five years have been financially disastrous for the couple.

"We were hoping to move back into profit this financial year, but our accountants tell us we shall make another loss. Last year the loss was somewhere between £5,000-£6,000. For the past few years we have been living on £20,000-£11,000."

The couple describe themselves as "not figures people". Says Countess von Stauffer, 51: "We have wonderful accountants. We leave everything to them."

The accountants have ensured that the two have not paid income tax throughout their loss-making years.

However, they were unable to prevent the Hubert von Stauffers from losing £88,000 invested in 1993 in an abortive golf course project.

"We paid £72,000 for it, spent £28,000 on it and sold

it last autumn for £62,500," said the countess. "That is the main reason for our loss this year."

"However the sale has enabled us to get back on our feet. We are investing some of the money from the sale of the collection. The scheme seemed very plausible," said the countess.

The saddest thing was that it diverted them from the business they had been running successfully almost from the beginning of their marriage.

"For 18 months we were on the golf course project almost full-time. We lost a lot of potential work because of it and nearly went bankrupt," said the count. "Sadly it took our minds off what we are best at doing."

To get back into business and pay off their debt the couple had to sell one of three properties - a cottage for holiday lets that they bought in 1982.

"We paid £72,000 for it, spent £28,000 on it and sold

just been published.

This autumn the couple have supplied props for the Christmas scenes in the film *True Blue*, and undertaken design work and provided table settings for two Christmas television programmes. The count, with his large grey beard, has made a number of Father Christmas appearances - but none as lucrative as the one he did on BBC2's *In Search of Santa* with Esther Rantzen in December 1995.

"We are back on course. We have some TV, radio and chat show research work, talks, book signings and a large quantity of what I call 'also work', Countess von Stauffer said.

"We now intend, as we always have done, to keep the spirit of Christmas goodwill in all our business dealings."

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The Nature of Things

The turkey's revenge

Many hazards may lurk in the festive meal, says Clive Cookson

Bloaded with turkey and trimmings, you bite on the first mouthful of Christmas pudding and crunch - your tooth cracks on a silver coin. The next morning, *Salmonella* bacteria, which were lurking in the moist turkey breast, strike you down with terrible stomach cramps and diarrhoea. And many years later, you drop dead from a heart attack brought on by a lifetime of over-indulgence in rich food.

Many hazards may lie hidden in the Christmas lunch. They can exist on three levels: macro, micro and molecular.

On the macro scale, there are foreign objects which could be seen easily if they were not camouflaged by the food. They have either been introduced deliberately, like the traditional sixpence, or found their way in accidentally. If they leave your teeth intact, they may still choke you.

We need a microscope to see the micro hazards. These are the bacteria that cause a wide range of food poisoning diseases. Besides *Salmonella*, the list includes *Campylobacter*, *Listeria*, *Staphylococcus aureus*, *Bacillus cereus*, *Clostridium perfringens* and toxin-producing strains of *Escherichia coli*. Any of these could contaminate your meal.

The molecular hazards are too small to see, even with a microscope. They

include natural molecules and artificial additives - and to some extent there is a trade-off between the two.

Preservatives and other chemical treatments can keep down the level of natural toxins in food.

Take the potato, for example. Most members of its genus, *Solanaceae*, are poisonous because they contain alkaloid toxins (such as atropine in deadly nightshade). The potato plant's toxin, solanine, is present in the leaves - and in the potatoes themselves if they are exposed to bright light, which triggers metabolic activity and turns them green. Green potatoes are poisonous even if well cooked, because solanine is a heat-resistant molecule.

A minor ingredient of the traditional Christmas pud is nutmeg. This spice, the grated nut of an Asian tree *Myrtilia fragrans*, contains elemicin, a powerful hallucinogen. Eating large amounts can cause drowsiness, stupor and even death, and there are occasional reports of young people getting high on nutmeg.

A more hazardous nut, the peanut, may be handed round during the pre-lunch drinks. Some people are extremely allergic to peanuts and occasionally someone dies from the most extreme form of allergic reaction to peanuts, known as anaphylactic shock, in which histamines and other biochemical molecules surge through the body, preventing blood flow and breathing.

Tecnamine has been removed on grounds of environmental toxicology, to avoid it affecting other plants. But the consequence for people might be the development of "internally toxic" potatoes, Shaw says. Allergy is not the only

peril awaiting peanut eaters. If they are not stored properly, *Aspergillus* moulds grow on the nuts, producing aflatoxins. These carcinogens are believed to be partly responsible for the high incidence of liver cancer in Africa.

In comparison with the peanuts, the meal that follows may seem safe. But beware the dimetridazole in the turkey. This antibiotic is fed to intensively farmed birds, to prevent outbreaks of an infection called black head. Although regulations specify that there must be an interval of at least six days between administering the drug and killing the turkey, residues may still have been laid down in the bird's meat.

Dimetridazole is a suspected carcinogen at extremely high doses, but there is negligible risk from the low levels in turkey meat, even for an inveterate turkey eater. "Nevertheless, we should be able to choose whether we take this risk, and organically farmed meat gives us exactly that choice," Shaw says.

Of course, every aspect of life is associated with risks - and rewards. And the range of potential benefits from a Christmas lunch, from savouring the succulent flavour of a turkey breast to finding a lucky coin in the pudding, far outweigh the risks. Do not let this article put you off. Enjoy the meal.

BOOKS

Three cheers for the surprise hits

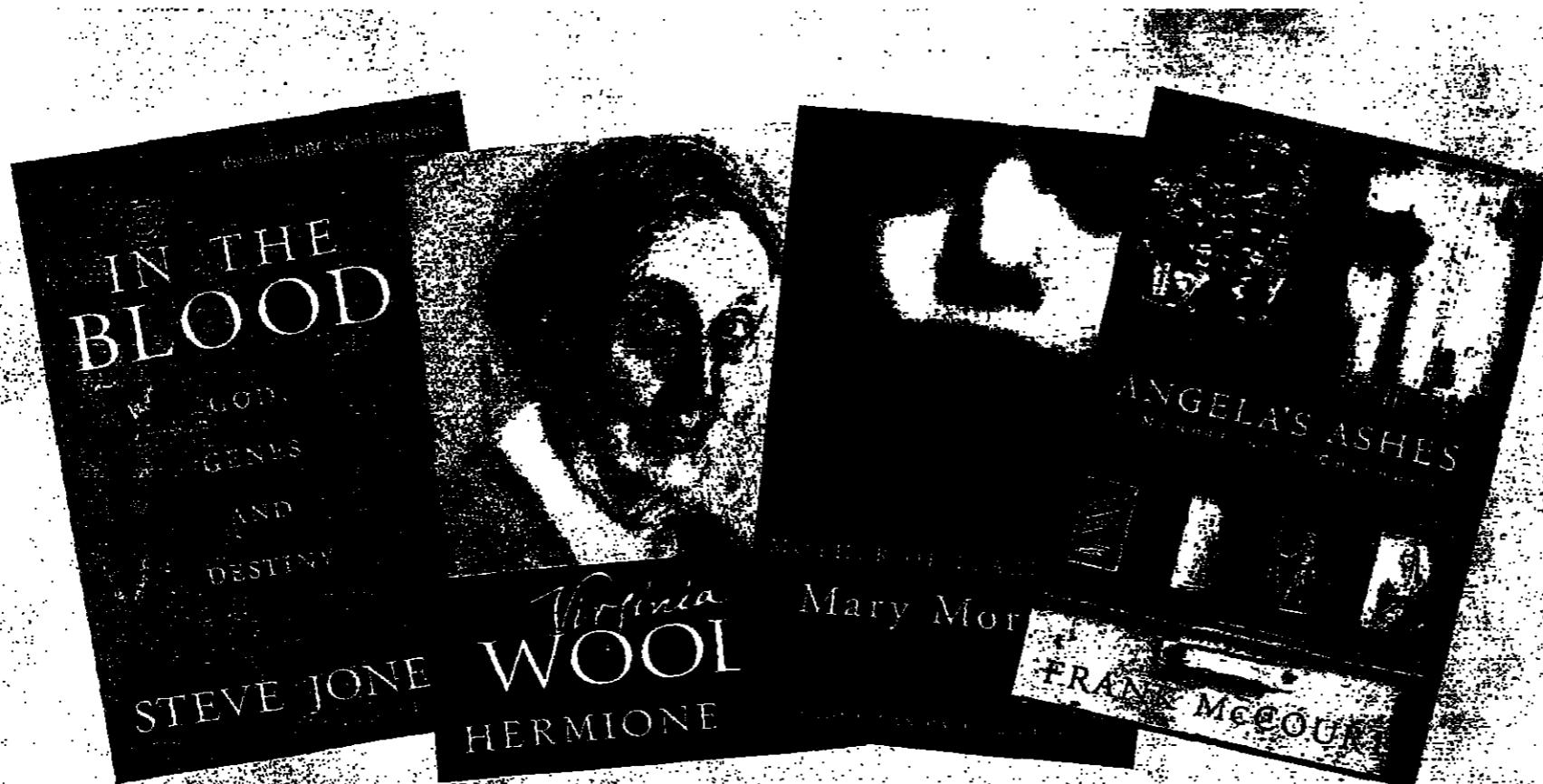
Jackie Wullschlager reviews the year's international bestsellers and finds 1990s obsessions reworked in original ways

Asks a year ago to anticipate the international bestsellers of 1996, who would have come up with a memoir of Irish boyhood and a psychologist's investigation into intelligence? But it is the surprise hits, not the predictable types, which really reveal the economics of taste, so three cheers for *Angela's Ashes* (HarperCollins, £16.99), a mesmerising reminiscence of a gruesome Irish childhood by 60-year-old schoolteacher Frank McCourt, and for Daniel Goleman's *Emotional Intelligence* (Bloomsbury, £16.99), which suggests that we cultivate EI - a mix of old-fashioned qualities such as empathy, self-discipline ("impulse control") and moral awareness - rather than IQ, in the search for happiness ("mood-lifters") and success.

McCourt's book has done well in Britain but topped the charts in New York and Europe within days of publication. It is, in Joyce's phrase, a riverun of a book, where the flow of memory, tact, streetwise, lyrical, at once fixes and transcends the daily grieves and joys of a 1930s boy caught between drunken father, helpless mother, dying siblings and pompous priests. Goleman's study, which has sold 170,000 copies - 5,000 is good for a non-fiction hardback - points out that genius is mostly unbalanced and brilliant individuals don't earn top salaries. So don't worry about schools, work on your child's marshmallow test: an infant chooses to wait a few minutes for two marshmallows or grab one immediately, the decision being "a microcosm of the eternal battle between... id and ego, telling... the trajectory the child will probably take through life".

What do these books share? An ugly duckling optimism (you can transcend what you were born with - moderate IQ, abusive background - by imagination or character), and a reworking of our favourite 1990s themes - childhood, memory, how the past shapes the present - in an original form. I loved the first for its art-out-of-pain triumph and idiosyncrasy, howled at the second for its advocacy of bland normalcy, but commend both as proof that intelligent, eclectic books can swim against the tide of genre blockbusters and enthrall a wide audience.

Among other serious books which gained popular appeal, note the same 1990s obsessions.



In the Blood: God, Genes and Destiny (HarperCollins, £20; over 40,000 copies sold) was my science book of 1996. Steve Jones' amnesing of science with culture shows how we now ask of genetics the questions once asked of philosophy and theology. Philippe Descola's *The Spears of Twilight* (HarperCollins, £20) reshapes our idea of the primitive in an exploration of an Amazonian tribe untouched by modern life yet as soap-operatically complex as any human community: this French anthropological masterpiece has the drama of a techno-thriller.

In fiction, it is no coincidence that three of 1996's strongest novels were about babies, roots, childhood fears and fantasies. Mary Morley's *Mother of Pearl* (Cape, £9.99), about a kidnapping, and Seamus Deane's *Reading in the Dark* (Cape, £9.99), about family secrets in the 1950s, both on the Whitbread shortlist - Deane was also a Booker contender - are exceptional first novels by Irish writers; Margaret Forster's

Shadow Baby (Chatto, £15.99), picks up the themes of motherhood, guilt, abandonment, of her memoir *Hidden Lives*.

As the Booker shortlist showed, the historical novel, once derided as escapist, is a vibrant force in fiction. Margaret Atwood's *Alias Grace* (Bloomsbury, £16.99) and Beryl Bainbridge's *Every Man for Himself* (Duckworth, £14.99) are bold but intimate retellings of shocking historical incidents - a double murder in Canada, the last days of the Titanic.

Another *fin-de-siècle* nostalgic trend is the "decade" novel - the 1980s in A.S. Byatt's *Babel Tower* (Chatto, £16.99), Shena Mackay's chintz-and-crumpets 1950s in *The Orchard on Fire* (Heinemann, £12.99). Our most eminent historical novelist, Penelope Fitzgerald, won the 1996 Heywood Hill Prize for a lifetime's achievement in books, and her great love story, *The Blue Flower*, appeared in paperback (Flamingo, £5.99). The Heywood Hill, founded last year in response to a series of outlandish Booker choices, seems already to have

had a sobering effect on the Booker: for 1996's shortlist and winner - *Last Orders* (Picador, £15.99), Graham Swift's fine, taut portrayal of landscape and memory - were uncontroversial, distinguished, accessible.

For bestselling classic, there is no beating Jane Austen's *Pride and Prejudice* (430,000 copies sold in the Penguin edition alone since the BBC television serial last December). The rise of the classic is a marked feature of 1996. Anne Bronte's *The Tenant of Wildfell Hall*, for example, which usually sells 10,000 copies a year in Penguin, has sold 40,000 since the BBC serial last month. The classy Everyman *Sense and Sensibility*, average annual sales 1,000, sold 55,000. A farcical footnote: the autumn's war of the Austen sequels, in which Emma Tennant's lesbian *Emma in Love* (Fourth Estate, £12.99) vied with Rachel Billington's smarter *Perfect Happiness* (Sceptre, £14.99),

Edith Wharton's *Age of Innocence* (Penguin, £12.99), the heart-breaking letters of Chekhov, ill and exiled to Yalta, and his wife Olga Knipper, stuck in Moscow as the star actress who brought

Biography, the motor for our current interest in history, had a bumper year. Major achievements were Hermione Lee's groundbreaking *Virginia Woolf* (Chatto, £20), the second volume of the stately three-author *Lawrence, Triumph to Exile* (Cambridge, £29.95), by Mark Kinkead-Weekes, and the second volume of John Richardson's *A Life of Picasso* (Cape, £30). Biographical battles - there were two *Thomas Mann*, two *Lewis Carroll*, two *Samuel Beckett* - testify to the current rush on literary subjects; of these, I vote for Anthony Heald on a homosexual Mann (Macmillan, £25) and Anthony Cronin on Beckett, the last modernist (HarperCollins, £25).

Editions of letters, which bring us closer to an individual voice than even the greatest biographies, is another area where scholarship is dovetailing with popular interest. 1996 highlights were *Dear Writer, Dear Actress* (Metheun, £18.99), the heart-breaking letters of Chekhov, ill and exiled to Yalta, and his wife Olga Knipper, stuck in Moscow as the star actress who brought

his plays to life, and *Speak Low* (When You Speak Low) (Hamish Hamilton, £20), the bitchy, earthy correspondence of Kurt Weill and Lotte Lenja, which captures the heart of Weimar Germany.

The 1990s are seeing a move away from Victorian lives to subjects at the beginning and end of modern history.

With Julie Kavanagh's *Secret Muses: The Life of Frederick Ashton* (Faber, £20), and Michael Billington's *The Life and Work of Harold Pinter* (Faber, £20), each a wicked mix of gossip, psychology and cultural landscaping, the contemporary arts biography comes of age. Among Renaissance books, Daimaid MacCulloch's *Thomas Cranmer* (Faber, £29.95) brings a figure fixed for most of us in exam-answers instantly and agonisingly to life - this is the star of the Whitbread Biography shortlist. *Giovanni Vasari: Art and History* (Faber, £25), by Patricia Lee Rubin winner of the 1996 Eric Mitchell Prize for art history, reshapes our view of Vasari as a cultural pioneer

who made the link between artistry and genius so familiar that it now seems inevitable. With come, also, to an elegant new *Everyman Lives of the Artists* (£30).

For popular biographies, royal women were flavour of the year. Respectable lives, with a dash of gossip, of *The Queen* by Ben Pimlott (HarperCollins, £20) and Sarah Bradford (Heinemann, £20), the page-as-the-confessional for the tacky Duchess of York (*My Story*, Simon & Schuster, £15.99) and her tackier rival biographers; verve and colour from Flora Fraser on Queen Caroline, George IV's cast-off wife in *The Unruly Queen* (Macmillan, £20) - a Whitbread contender - and from Diana Souhami on *Mrs Keppel and Her Daughter* (HarperCollins, £18). Alice Keppel was Edward VII's lover and great-grandmother to Camilla Parker-Bowles, which is perhaps why this made the bestseller lists.

As gifts for Scrooges in the family, two Christmas ideas. Michael Camille's *Master of Death* (Yale, £25), about the representation of death in art, is appropriately unfestive yet visually stunning. *Founder* (HarperCollins, £20) is a riveting tale of how money talks: Amos Elon's biography of the first Rothschild who founded, from a cramped ghetto home, the dynasty which brought kings and princes beginning at the door, is the story of the invention of multi-national haute finance and a moving family memoir.

Finally, some fat, beautiful books which would be a treat at the bottom of any Christmas stocking. Shirley Hughes' *Enchantment in the Garden* (Godley Head, £9.99), my children's book of the year, but, like all great children's books, also for adults a tale of imagination and loneliness in Italy by an artist of entralling power. A sumptuous memento of Copenhagen as 1996 City of Culture, *The Golden Age Revisited* (Gyldendal, DKR25) is an exquisite, illustrated history of the city's 19th-century Golden Age, which reads like a foreign *Middlemarch*, about a set of brilliant, crazy, claustrophobically united individuals, from Hans Christian Andersen to Kierkegaard. And, literary event of 1996, Vladimir Nabokov's *Collected Stories* (Weidenfeld, £25) - a masterpiece packed between hard covers.

Rereadings/Clement Crisp

Money-grubbing Victorians

When Robert Maxwell's financial skulduggery became public, an astute commentator compared him with Augustus Melmotte: "Who's Melmotte?" asked a friend. The short answer was "A blustering scoundrel in one of Trollope's best and darkest novels", but this did less than justice to Melmotte or to *The Way We Live Now* wherein he features, which is my suggestion for a springing Yuletide read.

For those of us not addicted to the factious jollities of the season there have to be means of retreat to saner, quieter regions. What better than a roaring triple-decker novel? So, for a Christmas rereading, let me offer you *The Way We Live Now*. Published in 1874, it is Trollope's portrait of money-grubbing in the heyday of Victorian greed, when the stiffest social manners were faced with the lure of gold and the concomitant financial sharp-practice and fortune-hunting.

Its narrative is convoluted, constantly fascinating, yet its characters are almost all flawed and unsympathetic. It presents social attitudes at a crucial time, when early Victorian prejudice (against "trade", against Jews) yields under the pressures of financial reward and commerce. "You know as well as I do", says a

no-longer young woman contemplating marriage with a Jewish banker, "that that kind of thing is all over now. City people are just as good as West End people".

The narrative centres upon Augustus Melmotte, of dubious antecedents and even more dubious reputation, whose financial bravado and manipulative skill have suddenly

worlds, of the links and connections which take us from a fearful club, The Beargarden, patronised by drunken aristos, to the House of Commons, to deepest Suffolk and a county family on its uppers, has a stunning energy. His world is alive, teeming, and - what gives an added zest - the title seems not inappropriate as we look at our own society a century later. There are still "crammed commercial cormorants" (as Trollope calls Melmotte), and still those who feel of such people that "he is one whom we would not admit to our kitchens, much less to our tables, on the score of his own merits. But because he has learned the art of making money, we not only put up with him, but settle upon his carcass like so many birds of prey."

So we see the circling crowd of innocents, gullied by Melmotte's display of wealth, who hope that his Midas touch may enrich them. Where Trollope is especially good is in the gradations of social custom and belief, in those nuances of behaviour and feeling about whom one may know and whom one may not. It is an intriguing sidelight in a book which fixes acutely upon the social position of Jews at this time, that the most honourable character is the banker, Breghert, who seeks to marry the daughter of a Suffolk squire. The father's diatribes ring horribly but truthfully. Breghert's grace of spirit is the only touch of reasoned dignity in the tale.

Trollope's panorama of this gold-rush is drawn with a beady eye. He does not, I think, moralise unduly, but he has no illusions. There results a picture which convinces utterly, and as it was first conceived as a serial, the onward drive of the action drags us happily along. It is time-travel of the most rewarding kind. And it is in paperback.

Trollope's study of the Carbury and Melmotte

is blossomed into the semblance of a vast fortune. His daughter, Marie, is thought to be a "great heiress", and Melmotte's wish is that she shall marry an aristocrat. Among the contestants for her hand is Sir Felix Carbury, young, handsome as the dawn, and wholly dissolute, living off his mother who scrapes a living writing fashionable and foolish books.

Trollope's study of the Carbury and Melmotte

Staring out from the cover of Dean Koontz's *Santa's Twin* (HarperCollins, £9.99) is the face of a demonic St Nick, his flushed features contorted into a terrifying, psychopathic grimace. This, of course, is not the real Father Christmas but an imposter in the shape of his "deeply troubled" twin, intent on destroying Christmas as we know it.

Leaving his brother mugged and gagged in his cellar under the Pole, Bob Claus, armed with ray-gun, hijacks Santa's sleigh - and his bank card - and sets off for a Christmas Eve binge of wickedness. If Donner and Blitzen fail to co-operate, he will turn them into reindeer soup - after, that is, he has refilled Christmas parcels with the likes of a clot of horrid, glistening, greenish toad-snot.

Needless to say, his plans are foiled by Charlotte and Emmy, and Bob renounces his bad ways. In Koontz's verse and Phil Parks' horribly impressive illustrations, HarperCollins believe they have found tomorrow's Christmas classic. They may well be right, but I do hope not. Give me *T Was the Night Before Christmas* or *A Christmas Carol* any day.

That is precisely what we are given in Toby Forward's *The Christmas Mouse* (Andersen Press, £10.99). Here, Dickens' salutary tale is retold for a younger audience. It is nicely done, and well illustrated by Ruth Brown.

Of the other Santa stories, Julie Sykes and Tim Waines' *Ssssh!* is bright and jolly for times (Mag Publications, £8.99). Michael Foreman's *The Little Reindeer* provides a wonderful image of our eponymous hero, accidentally gift-wrapped in Lapland and dropped on the top of a New York apartment building, standing forlornly in the snow on the spindly legs that emerge beneath the packaging (Andersen Press, £9.99).

Little Caribou by Sarah Fox-Davies (Walker Books, £8.99) is the most seasonal of a clutch of natural history books which aim to tell it straight. Here the life-stories - or, rather, life-cycles - of animals are told without sentimentalism or any anthropomorphism - well, almost. The most endearing

A change of face for Santa Claus

Susan Moore on traditional and not-so-traditional books for the very young



"Bunched like a fist I clutch fur as Great Lynx creeps on big cat's feet." Small boy meets big cat in *Let the Lynx Come In!* Set in a moonlit snowscape, the book is

Illustrated by Patrick Benson (Walker Books, £9.99).

is Sally Gindley's *Little Elephants Thunderfoot* (Orchard Books, £9.99) which moves from Thunderfoot's birth to the death of his grandmother, Wise Old One, at the hands of poachers, to the elephants' fear and their remarkable and moving ritual of mourning. There is a postscript of "elephants", the last of which is that an elephant's only enemy is man.

The warnings of the conservationists have obviously been unheeded in Colin Thompson's futuristic tour-de-force, *The Tower to the Sun* (Random House, £9.99). For the last 20 years, the earth has been covered by a pall of yellow fog, shrouding mountains and skyscrapers alike and bathing all in a queasy twilight. The richest man in the world decides to see blue sky and feel the warmth of the sun one last time. So, on the big-

gest rock in the world - Ayres Rock - 10,000 people begin to build a city to the sky.

Colin Thompson conjures a fantastical, Brueghel-esque Tower of Babel with the help of a machine that can move entire buildings from any corner of the globe. Up and up they pile until out pop the man and his grandson - and eventually everyone else in the world - atop the Tower of Pisa, to bask in the sunshine.

Katie and the Dream-Eater is a tale of the fabled baku who look after young children at night by eating up their bad dreams. It is brought to us by the Harvard and Oxford-educated Princess Takanada and engagingly illustrated by Brian Wildsmith (Oxford, £9.99).

Far less benign is the monster from the lake, Nabuila. In her book of the same title, Fiona Moodie re-tells a North Nguni folk tale from South Africa (Andersen Press, £9.99). Margaret Bateson Hill draws on the traditional themes of Chinese folk tales to create her original story - in Chi-

Myth of the Seasons. Aubrey Beardsley at the Istar Gate (Frances Lincoln, £9.99).

Brian Wildsmith's baku is a kind of psychedelic Elmer, and our old friend, David McKee's patchwork elephant, pops up again this Christmas. Literally this time, with *The Elmer Pop-Up Book*, a rather superior and amusing example of its genre (Andersen Press, £11.99). New tales of old familiar also take a seasonal bow, from Judith Kerr's *Mog and the Tee- Tee* (HarperCollins, £8.99) to Mick Inkpen's book and tape of *Kipper's Snowy Day* (Hodder, £9.99).

Jane Hissey fans will not be disappointed by the surprise resident of the playroom, *Hoot* (Hutchinson, £9.99). Nick Butterworth gives us more adventures of Percy the park-keeper in *The Treasure Hunt* (Collins, £9.99) and, for the smallest hands, there is a new open-the-flap Spot, *Spot Visits his Grandparents* (Warne, £7.99).

With notable exceptions - among them another of Jo Lodge's funny sing-along pull-the-tab books, *If You're Happy and You Know It* (Godley Head, £3.99) - I am tiring of interactive gimmickry. The tabs tend not to work or last well, and with so few words they are not much entertainment for the person watching all the pulling, lifting or turning - or in the case of Anna Nilsen's *Where are Percy's Friends?* the guiding of puppy through the slots.

I admired much more the boldness and clarity of Christopher Wormell's first book, *What I Eat* (Jonathan Cape, £4.99) and Steve Lavis' noisy farmyard counting book, *Cock-a-doodle-doo* (Ragged Bears, £8.99).

I also applaud the idea behind Hannah Roche's baking bonanza for over threes, *My Gran is Great* (De Agostini, £4.99). Between umpteen re-readings of *T Was the Night Before Christmas*, we will be cribbing its recipe for our Christmas cookies.

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BOOKS/ARTS

Television/Christopher Dunkley

No smiles for smut

Googs is hard to imagine how anybody came to make *Gogs* which begins on BBC2 at 8.30 this evening. The only hint is in the billing which reveals that this is an Asafool Animation Production for S4C (the Welsh language channel) in association with BBC Bristol. The Animation Unit at Bristol is the home of Wallace and Gromit, the creations of Nick Park who has had such a huge success with his stop-motion cartoons using plasticine models, and *Gogs* uses similar techniques. But that is hardly explanation enough, unless you believe that the makers of *Gogs* looked at *The Wrong Trousers* and said "This is all very charming and funny, but there are no p***s and p***s here."

The *Gogs* are a family of cavemen who remind you vaguely of the Flintstones. However, this being 1996, and British television being the last bastion of stulte-age feminism, it is Mum who drags the men home by the hair, and brainy daughter who draws helicopters on the wall of the cave while her dim brother goes "Flubber, flubber, flubber". It is hard to say who farts loudest or most often, Grandad or the baby. However, *Gogs* is unquestionably the winner when it comes to producing the largest stools and the most urine.

In Episode 1 they invent bows and arrows, shooting them into one another's heads, and one pulls the arrow out of his ear liberally coated in his own brains. Mum wipes Baby's bottom with a large leaf which she throws over her shoulder where it wraps itself around someone's face. In Episode 2 the chaps try to catch a dinosaur but, being mere males, prove far too stupid and are kicked repeatedly in the genitals by the animal. Having fallen into their own warthog trap they are covered in excrement and urine by the warthog. And so it goes on. It is conceivable (just) that kindergarten smut of this type and quantity could be redeemed by overwhelming charm, but it does not happen.

Could this be one of the first pieces of work to reach mainstream television from young people brought up on computer games? It is only a guess, and a forlorn one, but it is difficult to think of another explanation.

Tomorrow afternoon's episode in *Citizen 2000* (3.45 Channel 4) is the latest in a very long running series. It began 13 years ago, documenting the lives of 20 Brit-



Caught up in the dark, bright, funny underside of New York society: scene from Richard Eyre's staging of the Loesser/Rumyant musical Alastair Muir

Wild about the show

No-one could remain unmoved by this 'Guys and Dolls', writes Alastair Macaulay

Well if this Christmas brings any present better than Richard Eyre's revival of his celebrated 1982 staging of *Guys and Dolls*, it will be a more than merry one; it will be jubilant. When did we last see an instant standing ovation on press night? And it is handsomely timed. Not only is it a lustrous part of Eyre's farewell season at the National - in 1982, it was his debut production at this theatre - it also commemorates the anniversary of Damon Runyon's death, 50 years ago this month.

As Act Two gets onto its great roll of classic songs, it seems that only the most shrivelled of souls could resist them or it. At some point in "Luck, be a Lady", shivers pass down my spine, and they keep returning from then on. The real seduction, however, has begun long before, as early as the first number of Act One: a canonic march that gives us vintage Runyon in an insidious overlay of syncopated vocal lines. Frank Loesser was one of the musical's few masters of ensembles. Again and again, he creates - in musical terms - a world that celebrates human diversity and shows the larger harmony that can contain dissimilar people.

Perhaps we just need to wait a bit longer before we start seeing this series at its most effective. *Seven Up*, which must be due to reach #2 Up in 1998, gained its greatest fame with the episode in which its subjects reached the age of 28. In particular millions of viewers were struck by the change in a man named Neil who had been so lively when younger but became so lonely and depressed in adult life. This can be a peculiarly powerful form of television.

the world it creates. In truth, other (older) musicals have (yet) finer songs and scores, brighter wit of music and lyrics, greater ebullience, more expansiveness of spirit. But very few can touch *Guys and Dolls* in catching us up in a milieu. The dark, bright, funny New York society it assembles of gamblers, gangsters, showgirls and missionaries is intensely cartoonish in some ways, bizarrely stylised in its Runyonese parlance in other ways - and yet it gives us a locale and a climate that we inhabit with this.

The elaborate language of these people is so artificial - and yet they are spontaneous. And all of them are such small fry - and yet they express themselves with such lyric intensity. For behind the apparent corruption of the men are good manners and good faith; and behind the good manners and good faith, there is real innocence.

The whole contradictory nexus comes together in that great song "Sit Down, You're Rocking the Boat" - the *Guys and Dolls* nexus of corruption and innocence, artifice and spontaneity, littleness and largeness, individuals and ensemble. Watching and listening to this showstopper, we rejoice, we laugh - but am I alone in also finding that, through the delight, it brings me close to tears? I hope not. Any-

way, the house, rightly, goes wild. *Guys and Dolls* is, in the truest sense of the word as well as the usual one, fabulous.

The triumph seems Loesser's; but this is a great tribute to Eyre's production. The last Broadway production (1993), though much lauded, did not affect me this way.

I can find fault in individual members of the cast - Henry Goodman's Nathan Detroit does not quite reconcile the mellowness of his singing with the overdone artifice of his acting style; Joanna Ridings' winning Sarah Brown slightly overdoes the role's severe/abandoned extremes of the role. Clarke Peters beautifully relaxed in voice and manner, sings very flat in "My Time of Day" and never exudes the noble authority of a true Sky Masterson. But each of them is caught up in something larger than themselves, and deserves applause. To watch Ridings simply listen to Peters, neither fact nor body moving for a long while, is very affecting, and her singing has a kind of truth that is very rare in musicals today.

Imelda Staunton - as doting, loyal, too-long-engaged, fretful, sweetening Miss Adelaide - is superlative: a cartoon character rendered three-dimensional, and sung with exceptional variety. I love the way, during her lament, she gently, nasally, punches each syllable as she works out the reasons why "a person can develop a cold";

and then the brief but wonderful passage of *dolce* singing in which she reaffirms her faith.

Clive Rowe is the Nicely-Nicely who brings down the house with "Sit Down, You're Rocking the Boat". He speaks in a high, tight caricature voice that is already funny; he can dance well too, better than so plump a man has any right to; and when he lets rip vocally in the final "Sit Down" encore, with a firmness of top and midlife to the voice that beggars belief, he is transcendent.

As the Mission's lady General, Sharon D. Clarke has a great moment here too, standing on the tabletop with strings of pearls across her uniform and belting out a huge soul-sister descent. Wayne Cates, as Benny Southstreet, perfectly matches Rowe in the title song, singing well and dancing better.

"I've always thought how wonderful he would be if he was different," Miss Adelaide says about Nathan. But there is little I would want different about this production. John Gunter's sets, Sue Blane's costumes, and Clive Toguri's musical staging all add to the show's feeling of ebullience and perfection. Just to watch all the gamblers' hand choreography during "Luck, Be a Lady" is a joy.

In National Theatre repertory at the Olivier Theatre, South Bank, SE1. To January 25 (0181 858 7755).

Theatre Slowly down the river

Greenwich Theatre's Matthew Francis is becoming something of a veteran of the fashionable art of adapting novels for stage. His *Northanger Abbey* and *Toads of Two Cities* were laudable examples; now he has taken on the challenge of *Huckleberry Finn* as the theatre's Christmas show.

It is a choice that Huck's friend Tom Sawyer would heartily endorse, being as it is, fraught with tricky problems to overcome. Sure, the novel offers a powerful and tantalising image: young Huck and Jim, the runaway slave, floating down the Mississippi on a raft. But how do you suggest the sprawling, picturesque nature of the novel and keep the action taut enough for the stage? How do you get across the mighty presence of the Mississippi? How do you preserve the untrutched voice and free spirit of Huckleberry and convey Twain's more cynical view of the people he encounters? And how do you control the many sub-plots and characters and still keep the play focused?

For the most part, Francis (who also directs) negotiates his way around these difficulties with great success. Quickly he establishes who Huck is and what he has to contend with: the threatened return of his violent, drunk father or the well-meaning admonishments of the spinster who has taken him in. We are led jauntily through Huck's exploits, as he stages his own death and runs away, only to meet up with Jim, who has fled in fear of being sold to an unprincipled slave-trader. Francis threads nimbly through the story as the two float down river on their raft.

This stage version manages to preserve the fact that this is an adventure story, while never losing sight of the serious issues at its heart. Huck's decision to stand by Jim, in defiance of all he has been taught about slaves, is a profound endorsement of the abolitionist's cause.

Indeed, the most successful aspect of the production is the relationship between Huck and Jim. Daniel Newman plays Huck with an appealing mixture of innocence and willness and Clive Llewellyn leads Jim great dignity and warmth. In the first half when their relationship is at the centre of the story, the production goes swimmingly. It is after the interval, when the story widens out to take in some of the odd characters they meet that the play begins to sag and the production with it: a bit of fierce prunning could only do this bit good.

Once Jim is recaptured and the story proper gets back on the tracks, the show becomes gripping again. But there is much about the production that is very good and the cast are most enjoyable, particularly Andrew Muir as the self-styled buccaneer, Tom Sawyer.

Sarah Hemming

Greenwich Theatre, London SE10 to January 25 (0181 858 7755).

Fairy tales for adults

Max Wilkinson on the best of the 1996 audio books

A man might think it odd if his wife gave him a book of fairy stories for Christmas. But he would happily tell the neighbours that she had taken him to Mozart's *Magic Flute* or to Shakespeare's *Midsummer Night's Dream*, which depend on fairies and talking animals as much as any children's tale.

Magic can certainly be enjoyed by adults, not only in *Homer* or *Shakespeare* but in poetry such as Tennyson's *Morte d'Arthur*, in science fiction, and more subtly in the stories of magic realists such as Gabriel García Márquez or in *Sophie's World*, the bestselling philosophy primer by Jostein Gaarder.

Even so, true fairy tales are widely thought to be unsuitable for unaccompa-

nied adults, as some readings in the growing library of audiobooks sadly confirm. However, two new versions of *Grimms'* and *Hans Christian Andersen's* fairy tales in Penguin's Children's Classics series break triumphantly across the age divide.

Two of the four readers, Andrew Sachs and Alan Cumming, are veterans of Penguin's 18-hour verse anthology, a truly magical performance which I reviewed last Christmas (Penguin English Verse in 6 volumes, £9.99 each). Both bring to these classic tales that blend of high serious-

ness with humour so essential to good poetry reading.

They are joined by Nigel Davenport and Juliet Stevenson, who share the ability to convince us that they believe what they are reading.

Thus old favourites such as "The Emperor's New Clothes" become wonderfully charged with satire.

This is not just about an emperor who walks naked

through the streets.

Davenport's inflections show the politics of leading a whole town to believe their emperor was robed - or rather to reject the belief that he wasn't. He understands (as great writers do) that magic achieves its best effects when the audience is lulled into a sense of normality.

A different reading of the same story by Erica Johns (*Andersen's Fairy Tales - Naxos Audiobooks*) shows how easy it is to break the spell and make such tales seem only childish. Johns reads technically well, with all the funny voices, but it is done in a slightly patronising told-to-the-children tone - with special stress on nouns and adjectives to ensure that the young do not miss the meaning. She also emphasises the points of strangeness which might make children smile and adults fidget. She thus turns the story into a wonder of far-off lands, whereas Davenport's rendering reminded us of British party politics.

Yet one should not take

fairy stories too seriously, as Simon Callow does in his reading of Oscar Wilde's *Fairy Tales* (Hodder Head-

suggest all the dimensions of reality in this day in the life of Dublin city in 1904. He is also wonderfully Irish, making the characters spring to life from Bloom's inner musings then subside again. Norton holds this work with the surest of touches, as the prose swerves between learned irony, broad humour and Joyce's delicate moments of beauty and pathos. His rendering of the catechism, in pedagogic officialese, of Bloom's and Dedalus's drunken progress through the city brings tears to the eyes. It should have been more trivial.

If you have time and money left, find £12.49 for the 1996 Broadway recording of Richard Burton's towering *Hamlet*. The sound quality is dated, and the American actors do not match his genius, but this is surely a performance against which all others will be measured. Burton also recorded a faultless selection of John Donne's love poems (Harper Collins £8.99) and his famous reading of *Under Milk Wood* is reissued by the BBC (2 CDs, £11.99). All are musts for Burton fans.

Finally, I greatly enjoyed

Dirk Bogarde's reading of

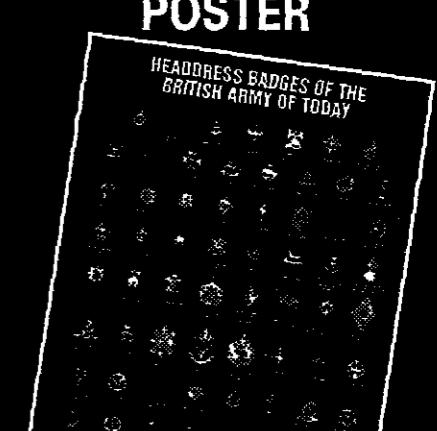
Thomas Mann's *Death in Venice* (Read £8.49), was deeply irritated by the first of the BBC history series, *This Sceptred Isle* (10 vols, £29.99) and give a reluctant "maybe" to Philip Madoc's reading of the *Decline and Fall of the Roman Empire* (Naxos, Thrs 55min, £16.99). Madoc rather chugs up Gibbon's sumptuous prose, but one can get used to anything in such a cause.

But Ransom's genius

is not to be beaten.

For further information and titles: The Talking Bookshop, 11 Wigmore Street, London W1H 9LB Tel: 0171 491 4117. Fax: 0171 629 1966.

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ARTS

Martin Hoyle goes in search of the seasonal spirit, starting with music and opera on TV

The Devil has the best tunes

Let's pass quickly over such ersatz treats as BBC2's unworthy *Christmas in Vienna* this afternoon: faves sung by Domingo and Michael Bolton, introduced by Paul Gambaccini. Being besieged by the Turks afforded the Habsburg capital more dignity than this. Tomorrow afternoon's *Messiah from Scratch* is probably more fun to attend five than to watch (2 again), but it is as Christmassy as a nervous BBC television allows itself to be these days.

Even the Service of Nine Lessons and Carols from King's (the radio is not ashamed of calling it this) is billed in the T2V section of Radio Times simply as *Carols from Kings* (Christmas Eve 4.45pm) with the nauseating RT blurb about "time to cluster around the TV for a spot of communal singing" - have these people the faintest idea what the service is?

Christmas Day is marked by a burst of Victorian religiosity, rather surprisingly by Channel 4 - though their broadcast of Welsh National Opera's *Faust* takes a controversial view of Victorian

hypocrisy. Richard Fairman judiciously commented on the vitality, abundance of ideas and occasional humour of Christopher Alden's production, and there's no doubt about the musical quality: Sir Charles Mackerras conducts Janice Watson, Britain's latest home-grown international star, is the ill-fated Marguerite, and Alastair Miles romps off with the (dishonours as the devil usually does).

Promptly as *Faust* ends switch over to BBC's *Artodante*, another superb operatic occasion. Produced by Christopher Alden's twin brother, the even more controversial David (the producers' names are mentioned nowhere in RT), this is the stylised ENO version whose hallucinatory baroque looks marvellous on the small screen. Ann Murray, in one of her greatest roles, Joan Rodgers and Lesley Garrett lead a vintaged cast.

After the tales of seduction, disillusion, greed and insanity which the media see fit to celebrate Christ's nativity, it is a relief to turn to the traditional transvestite



Romping off with dishonours: scene from WNO's 'Faust' on Channel 4

tism of Boxing Day. Not a swan as such, but *Swan Lake*, the sold-out production by Adventures in Motion Pictures with its all-male line-up of swans.

More traditionally, Rossini's *Cenerentola* starts at lunchtime, with the toothsome Cecilia Bartoli as an Italianate Cinderella. Both

BBC2 which has also been

playing host to the *Choir of the Year*.

The six finalist choirs slug it out on Sunday Dec 29.

As ever, the New Year is

sealed with a concert from Vienna (Jan 1 BBC2). Riccardo Muti conducts the world's best, if last all-male, orchestra, introduced by an animated version

Brian Kaye. Operatic zoology features largely on Jan 2, as BBC2 gives us the Paris Chatelet production of Janáček's *Cunning Little Vixen*, produced by Nicholas Hytner and conducted by the ubiquitous (and very welcome) Mackerras; and Channel 4's lunchtime is enlivened by an animated version

of *Arion and the Dolphin*, whose larger-scale human edition was a community effort, where, unlike Radio Times, they doubtless knew the name of the composer. The libretto is by Víkram Seth, but it lasts a mere half-hour. May all the new operas 1997 bring you be that length.

It is a sad fact that some choreographers can talk a very good ballet - but the interest lies in the words rather than the steps. You can sense the truth of this in part of *Just Dancing Around* (silly title), but Mike Figgis' documentary about William Forsythe making a piece for his Frankfurt Ballet is in a sharp, revelatory study. I make no bones about my dislike of some of Forsythe's work, but Figgis' intelligent camerawork, Forsythe's super-intelligent comments, and the vein of urgency that runs through the film make for a sharp and exciting television. Forsythe's own demonstrations and the micro-second verve of his dancers are irresistible. And the Frankfurt Opera's Intendant is heroic. He speaks with massive good sense and no less massive admiration of Forsythe's role in the theatre. Would that other opera house bosses were as wise.

Very different - very, very different - the slightly holy manner of Trisha Brown as she sets to work dismantling Bach's *Mass in B minor*.

which is just the sort of

piece a post-modern creator

should turn to as her first

use of a classical score! It is

cerebral, desecrated stuff,

but Brown holds nothing

back about the jigsaw manner

of her composition methods.

Mark James catches the authentic feel of her dances, and the archival material is fascinating.

The third creator is Richard Alston, seen at work on

Sometimes I Wonder, which

was 13 versions of *Swan Lake* set to dancing. Alston speaks well, explains, and

Mark Kidel captures Al-

ston

and Bono are saluted in

the new series that starts on Radio 5 Live on Dec 23. R&B

also presents its first drama that day: *Never Walk Alone* - with Trevor Brooking, no

less, playing himself - is the

story of drugs, corruption and (for all I know) drunkenness and wife-beating in the everyday story of footballing folk. See Christmas in from

midnight on Christmas Eve in Hong Kong: Liz Barclay

talks to the locals during

their last Christmas under British rule. Hopes, fears, resignation... And one

could read a broader significance into *Island Line* (Christmas Day). Ostensibly dealing with the past year in the islands off north-west Scotland - sex scandals, campaigns against unfair financial imposition, property-owners wanted for fraud, cuts leading to law-breaking, and the gathering of the speculators, entrepreneurs and spivs who care little about the place except for its plunderable resources.

Perhaps it sounds familiar to the rest of the British Isles. Meanwhile, back to

Radio 4 for Christmas Eve (repeated on 3 the next day) for the Festival of Nine Lessons and Carols. Before King's College Cambridge is sold off to the highest bidder or dug up after the discovery of oil beneath it or flattened for a road development.

On the humour front,

Miles Kington's *Dear Diary*

(Dec 23) uncovers the Christ-

mas

memories of the famous

including Sherlock Holmes,

Dracula, Robinson Crusoe,

Billy Bunter, Lady Macbeth...

Radio 4 would not be

Radio 4 without its American

input: *Paramount Bench*

and *Co* (Christmas Day) recalls

Dorothy Parker, Robert Ben-

chley, the Algonquin circle

and attendant wits, pres-

ented by Mark Lawson.

Armando Iannucci hosts

With Great Pleasure, also on

Christmas Day. The Italian

Glaswegian behind such

abundantly inventive com-

edies. Now that should be

interesting.

F or off-beat quirki-

ness. *An Everyday*

Story of Eurofolk

should be worth

catching (Dec 27): a look at

two Polish soap operas, one

set in Warsaw of 40 years

standing, the other as ostensi-

bly rural as *The Archers*.

The Food of Love and Hate

sums up the average family

Christmas but is in fact Bob

Gelof's survey of political

music. Brecht, Dylan, Mar-

ley, Bragg (Billy, not Mel-

vin)

and

Johnson

and

JAN 20 1996

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

■ AMSTERDAM

CONCERT

Concertgebouw Tel: 31-20-6718345
 ● Christmas Eve: by Rimsky-Korsakov. Conducted by Valery Gergiev, performed by the Radio Philharmonisch Orkest, the Groot Oomroepkoor and soloists from the Kirov Opera; 8.15pm; Dec 22

EXHIBITION

Van Gogh Museum Tel: 31-20-5705200
 ● Sir Lawrence Alma-Tadema: retrospective exhibition of the work of the painter Lawrence Alma-Tadema (1836-1912), who was born in the Netherlands, but settled in London in 1870. In Victorian England he became popular for his idealised, but accurately detailed and colourful scenes of Greek and Roman life. The exhibition features some 70 paintings and a selection of watercolours from international collections. Also on display are photographs from the artist's own collection showing the influence of photography on his work. After the showing in Amsterdam, the exhibition will move to the Walker Art Gallery in Liverpool; to Mar 2

■ ATHENS

CONCERT

Athens Concert Hall Tel: 30-1-7282333
 ● Nicolas Kynaston: the organist performs works by J.S. Bach, Franck, Roger-Ducasse, Reger and others; 8.30pm; Dec 27

■ BARCELONA

EXHIBITION

Fundació Antoni Tàpies Tel: 34-3-4870315
 ● Robert Motherwell: exhibition featuring about 80 works by Robert Motherwell from American and European collections. The exhibition includes large paintings on canvas, paintings on paper, collages and drawings; to Jan 12

■ BERLIN

CONCERT

Konzerthaus Tel: 49-30-203090
 ● Symphony No 9 in D minor, Op.125: by Beethoven. Conducted by Alun Francis, performed by the Tokyo Oratorio Society and the Berliner Symphoniker. Soloists include soprano Amanda Halgrimsdóttir, alto Kaja Boris, tenor Clemens Bieber and bass Reinhard Hagen; 4pm; Dec 22
 Philharmonie & Kammermusiksaal Tel: 49-30-2614383
 ● Weihnachtsoratorium (Cantatas 1-III): by J.S. Bach. Conducted by Uwe Gronostay, performed by the Philharmonischer Chor Berlin and the Ensemble Oriol Berlin. Soloists include D. Sandmann, M. Schuster, M. Schäfer and R. Trekel; 8pm; Dec 23

OPERA

Staatsoper Unter den Linden Tel: 49-30-20354438
 ● L'Isola Disabitata: by Haydn. Conducted by Alessandro DeMarchi, performed by the Staatsoper Unter den Linden. Soloists include Ailin, Kammerhoher, Maitre and Wotrich; 8pm; Dec 22

■ BONN

EXHIBITION

Kunst- und Ausstellungshalle der Bundesrepublik Deutschland Tel: 49-228-9171200
 ● Die Grossen Sammlungen V: Museo Nazionale di Capodimonte, Neapel: exhibition featuring a selection of about 130 paintings from the collection of the Museo Nazionale di Capodimonte in Naples. Included in the exhibition are works by Andrea Mantegna, Raphael, Titian, El Greco, Pontormo, Lorenzo Lotto, Correggio, Annibale Carracci, Giuseppe de Ribera, Guido Reni, Artemisia Gentileschi and others; to Mar 2

■ BRUSSELS

EXHIBITION

Musée Communal d'Excellence Tel: 32-2-5119084
 ● Alfred Kubin (1877-1959): exhibition focusing on the work of this Austrian graphic artist and painter associated with the Blaue Reiter group. He wrote and illustrated the Surrealist novel "Die andere Seite" (1908) and illustrated various other books, including works by Kafka, Jünger, Wilde, Strindberg, Poe, Barby d'Aurevilly, and Dostoyevsky; to Jan 26

■ CANBERRA

EXHIBITION

National Gallery of Australia Tel: 61-6-240-6411
 ● Paris: In the Late 19th Century: this major exhibition - which is the result of a collaboration between the National Gallery of Australia and the Musée d'Orsay in Paris - focuses mainly on the Paris of the 1890s, but also traverses the years leading up to that decade and looks forward to the early 1900s. The exhibition features more than 200 works, including paintings, sculptures, decorative arts, fashion, drawings, prints, posters and illustrated books. Artists represented include Van Gogh,



'Adoration of the Magi' by Andrea Mantegna. See Box

Gauguin, Cézanne, Monet, Renoir, Vuillard, Denis, Gérôme, Toulouse-Lautrec, and others; to Feb 23

■ CAPE TOWN

EXHIBITION

Michaels Collection - Old Town House Tel: 27-21-246367
 ● Pictures from a Golden Age: this exhibition brings together a selection of old master paintings from the Dutch School to be found in the collections of South African art museums. The display features some 80 paintings, almost half of which come from the Michaels Collection. The exhibition also includes a few paintings from the collection of the Rijksmuseum in Amsterdam; from Dec 21 to Feb 20

■ COLOGNE

CONCERT

Kölner Philharmonie Tel: 49-221-204020
 ● Weihnachtsoratorium (Cantatas 1, 4, 5 and 6): by J.S. Bach. Conducted by Wifried Toll, performed by the Deutsche Kammerphilharmonie Bremen and the Balthasar Neumann Chor. Soloists include sopranos Mona Späte and Gundula Anders, alto Bernhard Landauer, and tenors Nico van der Meel and Johannes Heppel; 8pm; Dec 26

■ COPENHAGEN

EXHIBITION

My Carlsberg Glyptothek Tel: 45-33 41 81 41
 ● DRUM - a place in Ireland, photographs by Krass Clement: this exhibition comprises a series of around 50 photographs of a particular individual observed in the local pub in Drum, a small Irish village. The photographic sequence reflects on the genuine isolation of this human being, an existence which continues day after day with little variation; to Jan 12

■ DUBLIN

EXHIBITION

Irish Museum of Modern Art Tel: 353-1-6718666
 ● Beverly Semmes: New and Recent Sculpture: American artist Beverly Semmes uses sculptures to address issues surrounding the body and feminism. Tracing her work's evolution over the past five years, the exhibition features photoworks and large environmental installations as well as small-scale sculptures; to Feb 23

■ EDINBURGH

CONCERT

The Queen's Hall Tel: 44-131-6683458
 ● Messiah: by Handel. Performed by the John Currie Singers and Orchestra; 7.30pm; Dec 22

■ FRANKFURT

EXHIBITION

Museum für Moderne Kunst Tel: 49-69-21230447
 ● Szeneriewechsel X: exhibition featuring works by Albert Oehlen, Robert Grober, Jochen Pflanz, Helmut Blum, Miriam Cahn, Nobuyoshi Araki, Larry Clark, Jock Sturges, Rosemarie Trockel, Anke Doderer, Ed Ruscha, Bernd and Hilla Becher, Thomas Hütz, Max Mohr, Markus Raetz, Stephan Balkenhol and Herbert Hamel; to Jan 5

■ GLASGOW

EXHIBITION

Hunterian Art Gallery Tel: 44-141-3305431
 ● Robert Burns (1760-1841) - The Crawford Years: for the last 15 years of his life, the Scottish artist and designer Robert Burns worked almost exclusively for the Crawford family. This display features these commissions, including illuminated manuscripts and designs for the decoration of Crawford's Tea Rooms in Edinburgh; to Jan 18

■ HAMBURG

CONCERT

Musiktheater Hamburg Tel: 49-40-346920
 ● NDR-Sinfonieorchester: with conductor Herbert Blomstedt and the Hamburger Alsterspatzen

tip-trucks parked on the Gallery lawn lit up with an ethereal blue light, with the effect that their trays become massive light boxes; to Feb 16

Spink & Son LTD. Tel: 44-171-9307886

● Lindy Guinness: "Across the Irish Sea": an exhibition of recent oils and watercolours of Irish landscapes by Lindy Guinness; to Dec 24

Tate Gallery Tel: 44-171-8878000

● The Grand Tour: The Lure of Italy in the 18th Century: for many centuries Italy has enjoyed a reputation as the home of the greatest art and architecture in the 18th century especially, artists and writers, royalty and nobility travelled there to absorb the atmosphere of antique ruins and to seek inspiration from Renaissance paintings. This exhibition investigates their journey and shows paintings and sculpture, drawings and prints from international collections. The survey includes works by Batoni, Canaletto, Piranesi, Reynolds and Zoffany; to Jan 5

JAZZ & BLUES

Purcell Room Tel: 44-171-9604242

● Jazz 'n' Voices Christmas Gala Concert: vocalists Julie Dexter, Zeni Edwards, Sophia Jones, Maxine Daniels and Alison Evelyn, pianist Robert Mitchell, saxophonist Denys Baptiste, double-bass player Darren Taylor and drummer Daniel Crosby perform Christmas music; 8pm; Dec 23

EXHIBITION

Musée d'Orsay Tel: 33-1-40 49 48 14

● Le paysage américain photographique (1851-1900): a photography exhibition documenting the early years of the art and the adventures of American explorers, captured in wild landscapes such as Niagara Falls; to Mar 2

■ PARIS

DANCE

Théâtre des Champs-Elysées Tel: 33-1-49 52 50 50

● Ballet Flamenco Antonio Canales: perform Antonio Canales' Torero to music by Jiménez, Gianolfi and Gómez, and Antonio Canales' Cuenda y Tacón to music by Robert Mitchell; 8.30pm; Dec 23, 24, 26, 27

EXHIBITION

Musée d'Orsay Tel: 33-1-40 49 48 14

● Le paysage américain photographique (1851-1900): a photography exhibition documenting the early years of the art and the adventures of American explorers, captured in wild landscapes such as Niagara Falls; to Mar 2

■ PRAGUE

CONCERT

Exhibition Ground-Výstaviste Tel: 42-2 6679 8111

● Luciano Pavarotti: the tenor performs works by Verdi, Puccini, Mascagni, Leoncavallo, Rossini, Sibilla and Böldi; 8pm; Dec 23

■ LOS ANGELES

EXHIBITION

Huntington Library, Art Collection and Botanical Gardens Tel: 42-818-405-2100

● Celebrating William Morris: Selections from the Sanford and Helen Berger Collection: exhibition devoted to the craftsman, designer, poet, printer and socialist William Morris (1834-1896), on the occasion of the centenary of his death. The Berger Collection is rich both in designs and materials from the artisans at Morris & Co., and in books and printed works from the Kelmscott Press. Selected items from the Huntington Library's own holdings complement the exhibition, illustrating Morris' impact on design in America; to Jan 5

■ ST PETERSBURG

EXHIBITION

The State Hermitage Museum Tel: 7-812-3113601

● Bunt: Oper 1944-1995: retrospective exhibition featuring work by the Italian painter Alberto Burri from the 1940s onwards; to Jan 15

■ ROMA

EXHIBITION

Palazzo delle Esposizioni Tel: 39-6-4722116

● Bunt: Oper 1944-1995: retrospective exhibition featuring work by the Italian painter Alberto Burri from the 1940s onwards; to Jan 15

■ ST PETERSBURG

EXHIBITION

The State Hermitage Museum Tel: 7-812-3113601

● Western European Applied Art of the 16th-18th Centuries: this exhibition of works from the museum's collection includes about 100 objects of western European applied art of the 16th to the 18th century. The exhibition is organised on the occasion of the 100th anniversary of the founding of the Baron Shchigry Museum, which was a branch of the State Hermitage Museum for many years after the revolution of 1917; to Mar 19

■ TOKYO

CONCERT

Suntory Hall Tel: 81-3-35849999

● Tokyo Philharmonic Orchestra: with conductor Neeme Järvi, soprano Mari Midorikawa, alto Yumiko Kan, tenor Yoji Kawakami, bass Toshimitu Kimura and the Senzoku Gakuen University Choir perform works by Wagner and Beethoven; 2pm; Dec 22

EXHIBITION

Iseyan Museum of Art Tel: 81-3-33521111

● Matisse and Modern Masters from the Cone Collection: exhibition of 73 works from the Cone Collection of the Baltimore Museum of Art, including works by Matisse, Cezanne, Van Gogh and others. The exhibition celebrates the 10th anniversary of the museum's opening; to Dec 28

■ VIENNA

OPERA

Wiener Staatsoper Tel: 43-1-51442950

● Die Schneidersame Frau: by R. Strauss. Conducted by Horst Stein, performed by the Wiener Staatsoper. Soloists include Sina Gonda, Rydl and Skovhur; 7.30pm; Dec 26

■ WASHINGTON

EXHIBITION

National Gallery of Art Tel: 1-202-7374215

● Georges de la Tour and His World: this exhibition brings together 32 paintings by the 17th-century French painter Georges de la Tour (1593-1652) and 10 works by leading contemporaries such as Caravaggio, Jacques Bellange, Simon Vouet, Hendrick ter Brugghen and others. The works, selected from public and private collections in Europe, the US and Japan, serve to illustrate the place and meaning of La Tour's art in the context of early 17th-century culture. La Tour is best remembered for his realistic portrayal of scenes from everyday life, such as beggars, musicians or cardsharps, and for the dramatic chiaroscuro of his religious works, such as images of the saints; to Jan 5

■ ZURICH

CONCERT

Tonhalle Tel: 41-1-2063434

● András Schiff: the pianist performs works by Schubert; 10.45am; Dec 22

■ CHARLES TYRWHITT

EXHIBITION

Museo del Palacio de Bellas Artes Tel: 52-5-5101388

● ?BURUÉ! La mirada del siglo: this exhibition, centered around Luis Buruél's film "La edad de oro", focuses on work by people who inspired Buruél or were themselves inspired by his work. The display features some 500 works, including paintings, drawings, sculpture, books and photographs. Artists represented include Dalí, Miró, Magritte, Giacometti, Picasso, Tarsila, Tamayo, Man Ray, Alvarez Bravo and García Lorca. Also on display are 50 photographs of Buruél working on a film shoot, made by Gabriel Figueroa; to Mar 12

■ NEW YORK

James Morgan

Asods' law is universally applied

But is especially irritating during this season of climatic incorrectness

During this season we in the northern hemisphere dream of distant sun and long days. But my time south of the Tropic of Cancer sowed the seeds of what I now identify as Acquired Seasonal Obsessional Dysfunctional Syndrome - Asods.

It started while I was living in Malaysia. I would come home in November and grow strangely irritated as people endlessly remarked: "I suppose it's summer over there then."

Through gritted teeth one replied that the point of the tropics is that there is no summer.

Things got worse over time. In April, I flung a novel called *Takeover* in the path of an air stewardess; it described the "heat of a tropical midsummer night".

The condition might not have deteriorated had I not ventured south of the equator. The fact that February is high summer in most of South America is no problem but that the sun goes the wrong way is. From right to left.

Nowhere else notices or cares. In my case the Asods virus has broken down the immune systems that enable one to ignore minor changes effected by the movement of the earth or one's movements about it.

Those who are immune become the source of rage and fury. The popular novelist, Robert Goddard, in his work *Post*

Caring, set certain crucial events in South Africa, in September 1902. Thereafter the protagonists made frequent reference to the "events of the autumn of 1902". But September is spring in South Africa.

Today my son hides his collection of Goddard's oeuvre and the author is not discussed in my presence. Today is, for many, the winter solstice; for my family it marks a time of trial as the obsessional nature of my affliction lets rip. There will be seasonal fare on television that will cause great stress.

Everyone must know the problem but only I will protest. It will be manifest as you watch a Christmas drama; there will be a family exchanging presents in

front of a blazing open fire. But outside you can just see that the boughs of the trees are heavy with leaf and the sun stands high over the lawn. Concentrate on this and your Christmas will be ruined.

The first evidence of my heightened form of Asods emerged while watching a TV serialisation of J.B. Priestley's novel, *The Good Companions*, some years ago. At one point in this drama the cast, a group of itinerant players, perform in a pantomime. For those outside Britain, a pantomime is a permanent Christmas dramatic entertainment that turns a familiar fairy tale into farce. Anyway, the players at one point move by train from one venue to another. From

the carriage, the viewer could discern golden fields with what appeared to be harvesting taking place.

Guaranteed ensued. Family life is ruined by such trivia and this is the main symptom of the affliction. It is not that one's own enjoyment of some festive entertainment is undermined, but that one wishes to infect everybody else. And it is at Christmas that the dangers are at their greatest, for this is the season of the winter's tale-made-in-summer.

But this year generally has been bad. The film of the book *Emma* contained consecutive scenes where the protagonists went strawberry picking. And then they had a picnic. At the

picnic, tomatoes appeared in abundance. And apples in the background. No early 19th century English table could have been thus arrayed. June, August and October were united in a single day. I thought the whole cinema should know...

The only solution is to confront the problem head on. If one suffers from a fear of flying one should fly and familiarity will breed not contempt but acquiescence. I am, therefore, planning an exciting film or TV drama centred on the next Winter Olympics. It shall be called "Black Grapes, Red Tulips". I am in the market for a screenplay. Season's greetings.

■ James Morgan is BBC World Service economics correspondent.

Peter Aspden
Don't ask me
why

We never seem to hear very much about chaos theory these days, which is a shame. I well remember the *frisson* of excitement I felt when I first heard that the flap of a butterfly's wing in the Australian outback could cause a tree branch to fall on my head, or a Spice Girl to say something intelligent about politics, or the football team I support to score a goal.

I loved the idea, simply because it gave scientific legitimacy to the ancient and subversive belief that, no matter how we plan our lives, there is something out there which is hatching its own grand narrative for you. My personal preference has always been for the existence of wild, capricious gods who routinely vent their wrath on humanity because they have had a taxing morning; but I understand that theory is a little discredited now, and I am prepared to accept the modern version.

Both Zeus and the gang and our fluttering friends on the other side of the world (and I won't even begin to talk about the Christian God, who is altogether a more complex character) are inventions which cater for the same basic need: to help explain the inexplicable.

It is the single greatest source of human anxiety: the realisation that there is no absolute *quid pro quo*, no intrinsic relation between doing and being done to, no innate sense of cosmic justice in the world. From Aeschylus to the Silver Surfer, Hamlet to Morrissey, this is the one question that haunts us: that prevents us from feeling deliriously happy about our lives: Why? (or Why Me?, as it is more usually framed).

In the land
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It is fascinating to watch the way in which different cultures deal with the big imponderable. In general, those old societies riddled with a history of war, oppression, and sadness cope rather well with life's vicissitudes. Talk to an artist or politician from eastern Europe, for example, and you are never far away from an ironic aside or the knowing curve of the mouth which announces that things may be like this today; but who can say about tomorrow?

When Tadeusz Mazowiecki emerged victorious as the new Prime Minister of Poland in the 1980s, he made his first visit to the Council of Ministers building in Warsaw and declared: "The windows are very small and the room is very big. It made me a bit afraid." This poignant declaration, so rich in metaphorical meaning, should be pinned to every prime minister's residence in the world. But not every political leader carries the gloomy baggage of recent Polish history on his or her back.

In the New World, such melancholic demeanour is frowned upon. Imagine an American president dispersing such negative vibes in the wake of his election (perhaps Bobby Kennedy at his most soulful might have brought it off, but look what happened to him).

In the land of the free, there is little room for determinism. Which other nation would house its cultural metropolis on a seismic eruption waiting to happen? And which other nation could take the notion of an "earthquake-proof building" - a templefront afront to nature if ever there was one - at all seriously?

In general, those societies which have become more secular have little patience for the unpalatable idea that there are limitations to the desires of the human will. Hubris is a stranger to them. But the inexplicable will still happen; and the victims of random misfortune will still demand explanations: why me?

Hence the insatiable appetite of contemporary science to illuminate the dark, scary corners of the human condition, where the simple chains of cause and effect mysteriously become undone. We are bombarded ever more fervently by nutritionists, psychologists, physiologists, claiming to have found the various keys to long and fulfilling life. We are offered the prospect of a definitive gene map, which contains sure guidance to physical health and, by extension, prosperity.

But I for one, feel much happier simply hoping that the butterfly's wings are with me today; or that Apollo is not in too ugly a mood as I walk to work in the morning. Some of life's surprises - good as well as bad - are not meant to be explained away. Cultivate the chaos in your life, and enjoy.

Hugh Dickinson



Private View The voice of Christmas to the world

On Tuesday about 250m people will tune in to the King's College choir. Christian Tyler met its head chorister

Outside, a Feudal fog clung to the chapel walls. Inside, the last shreds of a grey afternoon had been filtered out by stained-glass windows of midnight blue. Electric lamps threw their beams up delicate ribs of fan vaulting. Below, the faces of the choristers, huddled like refugees in the empty church, were gently illuminated by glass-shaded candles.

The music director took his place between the choir stalls, facing *The Adoration of the Magi*, a large Rubens altarpiece uncomfortably wedged beneath the East window. Bending towards a discreet microphone on his stand he asked for an E minor chord from an invisible organist. The choir of King's College, Cambridge, was at practice.

On this occasion the choir had an audience of one. On Tuesday an estimated 250m people will switch on their radios to hear it sing the Festival of Nine Lessons and Carols, the traditional Christmas Eve service.

Americans organise brunch parties for the broadcast; in South Africa they take it with cocktails on sun-baked verandas. And because radio waves travel faster than sound waves, the outside world will hear the singing before the people crammed at the back of Henry VI's chapel.

The 14 young men and 18 boys of the famous choir are used to audiences. Yet, the most nervous moment of the year will have to be faced half a minute before the broadcast begins when director Stephen Cleobury chooses one of them to sing the solo opening verse of *Once In Royal David's City*.

Last year the finger of fate pointed to Edward Saklatvala. "It's quite a good feeling to know you've done it well," he told me before the practice. "But it is quite nerve-racking."

This year, having just turned 13, Edward's veteran status is recognised in his honorific title of Head Chorister. His duties include "writing things up on the board, looking after Mr Cleobury's music and getting the crew lined up."

The boys walk in crocodile formation down to the chapel from King's College School on the

If a singer botches a note in rehearsal, he raises a hand to show he is aware of the mistake

just music. I don't think it's that weird."

What do you think about while singing: the music or other things?

"In a normal service I sometimes think about other things. But if a lot of people are listening you concentrate on getting things right."

Does it improve the singing if you think about the meaning, about God?

"Mr Cleobury does go on about that quite a lot. He says it's not like reading out the football scores or something like that."

Do you feel moved while you sing?

"It really depends what we're singing. Some pieces are just quite boring."

Among "boring" composers he counts the 16th century William Byrd, whose music he compared to "dice-rolling with weighted dice. It's nice to listen to because it's quite nice music. It's just that it's boring to sing."

"Some pieces like Stravinsky are just completely random, very difficult but not absolutely really nice." He prefers the up-beat Victorian Sir Charles Stanford because he is lively and complex.

What about pop music?

"Anything from Oasis, the Spice Girls or the Refugees."

About the choir's in-house pop group, Poison, however, he was not complimentary.

Choristers must be good all-round musicians. If a singer botches a note in rehearsal, he raises a hand to show he is aware of the mistake so that the choir can continue uninterrupted. Today they were practising *The Song of the Cherubim*, a difficult-sounding work of ethereal dissonances over a rumbling Russian bass by the modern Polish composer Penderecki. When they came to the end of *Song to the Virgin Mary* by his compatriot Panufnik, Cleobury congratulated them on their stamina.

Edward is a violinist as well as a singer - "a stunning violinist" according to his housemaster. He plays not only Bach and Mozart but also Grieg, Brahms and Shostakovich. He hopes, like his elder brother, to get extra-mural coaching at a music college when he moves on to St Paul's School in London and perhaps return one day to King's as a choral scholar.

I don't know what singing would be like professionally, like Pavarotti or something. But I mean just at the moment it's fun. The choir gets around quite a bit," he added, mentioning this summer's tour to South Africa.

"We were going to sing in the Madama film, but Mr Cleobury didn't want us to."

Who are your main rivals?

The head chorister answered without hesitation: "John's".

St John's college choir down the river may be less well known than King's but it has a high reputation. "They sound quite good," Edward said.

Asked about a career, Edward seemed to want to emulate his father. Jeremy Saklatvala is a



The chorister to sing the opening solo is chosen at the last minute. Last year it was Edward Saklatvala. Lynda van der Meer

or... I wouldn't say he sang the notes, he just sort of shouted them."

St John's also has a junior school and Edward added with some satisfaction: "We haven't lost a cricket match against them for oh, well, not since I've been here."

The surname comes from a Parsee merchant family in Bombay. Shapurji Saklatvala, Edward's great grandfather, was a celebrity: he was a co-founder of the Communist Party of Great Britain in 1920 and, representing the Roman Catholic Westminster Cathedral in London.

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Weekend Investor

Wall Street

'Tis the season for Triple Witching

Turmoil on the money markets embroils John Authers in another primeval rite

Add another primeval rite to the holi-day season. Yesterday saw a ritual which is celebrated with total turmoil on the money markets. Triple Witching. Nothing to do with Hallowe'en, it is the name given to the four days each year when options on stocks and indexes, and futures on indexes, expire simultaneously. It usually creates immense and apparently irrational market volatility.

While derivatives were not solely to blame, Wall Street certainly had a crazy week. Before yesterday's mayhem, when the Dow Jones Industrial Average gained 60 points in the first half hour of trading, it had registered on Thursday its second highest points gain ever, up 126.87 points for the day, mainly in reaction to healthy trade deficit figures.

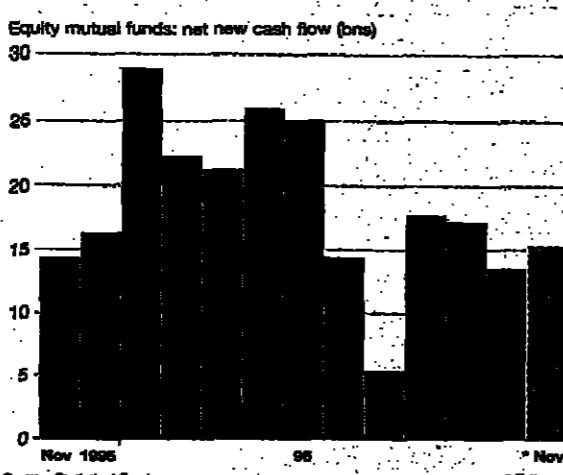
On Tuesday there had been heavy selling, on somewhat improbable speculation that the Federal Reserve, meeting that day, would raise base rates. Housing figures also suggested the economy was growing faster than had been thought. And on Monday trading was so volatile that the "up-tick" and "down-tick" rules were triggered. These are in place to restrict excessive computer-driven selling on days when the market is significantly up or down. And on that day, the Dow was at different times both up and down 50 points compared with its opening, only the second time this has happened.

The net result is less impressive than these huge swings suggest. Thursday's close, of 6,473 for the Dow, was identical to its close on Tuesday the week before. Its eye-catching daily rise was only 2 per cent, a gain that had been managed in a day more than 100 times before.

Away from the technically induced ferment on the trading floor, America's small investors had the opportunity to take stock. The closing weeks of December are also the cue for a welter of fresh statistics on the mutual fund industry, which has provided marketeers with a reassuring flow of cash.

This has brought the industry under unprecedentedly tight scrutiny. And this has revealed many practices

Still more buyers than sellers



and policies which unit trusts, their British counterparts, ought to emulate.

The Investment Company Institute confirmed that mutual funds had had a record year. As of the end of October, there were 6,201 funds with combined assets of \$3,390bn, of which 48.7 per cent was in equity funds.

Net new cash flow (new money minus redemptions) to stock funds for the year to October was \$122.82bn, more than double the \$57.51bn for the same period last year, and comfortably ahead of the \$128.33bn recorded for the whole of 1995.

Inflows as a percentage of total assets were not particularly high. Average monthly inflow was 1.36 per cent of total assets – up from 1.01 per cent in 1995 and 1.24 per cent the year before, but well below the levels of 1993 and 1992, when inflows ran at 1.74 and 1.47 per cent of assets. Flows are not at an unsustainably high level.

There have been winners and losers among the managers. Vanguard, high priest of low charges, and best known for its cheap index-tracking funds, attracted \$20.7bn in new assets by the end of the third quarter, according to Strategic Research, a New York research group. That money increased its assets by 14 per cent compared with the beginning of the year, before market gains are taken into account. It is now the second largest US fund group, behind only Fidelity.

The impact of charges can be overstated. Investors still care most about investment

performance, but charges are still at the top of the agenda, mainly due to Fidelity, which has had a bad year. At Fidelity, if a fund has beaten its benchmark index over the preceding 36 months, it will take a larger percentage charge; and if it has lost to the index, the performance charge will drop.

The total available range is plus or minus 20 basis points, or hundreds of a percentage point.

Last week, it was announced that the Magellan fund, flagship for both Fidelity and the whole industry, had slipped behind the return on the S&P 500 index for the 36 months to the end of September. So it cut its charge. This could cost Fidelity more than \$100m in charges foregone.

The announcement led to a renewed outbreak of *schadenfreude* about Magellan's well-publicised problems this year.

But the UK unit trust industry might notice that Fidelity's charging system puts managers on the side of their own investors. And charges across the US industry are far lower. The average charge on a US diversified equity fund is 0.74 per cent, and for a specialist sector fund, 0.68 per cent. This is barely half the 1.25 or 1.5 per cent norm in the UK.

Dow Jones Ind Average

Monday	6268.25	+6.52
Tuesday	6303.33	+39.98
Wednesday	6346.77	+38.44
Thursday	6473.84	+126.87
Friday		

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FT Surveys

London

How the runes square up

Philip Coggan is no Nostradamus – however...

What most investors would like for Christmas is a consultation with Mystic Meg or Nostradamus, giving them a clear picture of the stock market's movements in 1997. Should they pile into the market or get out while London is at an all-time high?

Alas, this column has no clairvoyant qualities, but it can bring you the forecasts of some of the leading UK equity analysts. Among the most bullish is Bob Semple, equity strategist at NatWest Securities. He thinks that the UK will enjoy decent economic growth and rises in profits and dividends through the year. "A new Labour government will be tough on both monetary and fiscal policy which will allow bonds to rally, and lower bond yields will drive equity markets next year," he says.

Worries about the election

and the first Labour Budget may give the market a rough ride in the early part of the year. But by the end, Semple expects the FTSE 100 index to be in the 4,500-4,600 range.

Some analysts are worried about a setback on Wall Street next year but if that occurs, Semple believes that the spread between Footsie and the Dow Jones Industrial Average should narrow.

Ian Williams, UK equity strategist at Panmure Gordon, is also upbeat, with a Footsie target of 4,500 by end-1997. "Analysts are underestimating the strength of earnings," he says. "The economy is going to grow by 3.8 per cent in 1996 and that will be a big help to corporate profits."

Although base rates are expected to rise in 1997, Williams says, "a rise in rates to 7.5 or 8 per cent, compared with the sort of moves we have had in the past, is really not that great. People tend to forget that the market can go up when short rates are rising."

Nor is he worried about the election. "Our inclination is to look through the politics at the economic fundamentals," he says, adding that "the perception of international investors is that Gordon Brown is a safe pair of hands".

Robert Buckland, UK equity strategist at HSBC, James Capel, says: "We are not expecting much help from interest rates in 1997. But if rates only go up to 6.75 per cent by the end of the year, it will not undermine the market. Meanwhile profits and dividends should grow at 10-11 per cent, and if the market goes up in line, Footsie will hit 4,400."

Another area of support, he argues, is that investment institutions already have 5.6 per cent of their portfolios in cash. "That is well above the historical average and nearly twice the level prevailing before the 1987



Also, this column has no clairvoyant qualities

May 1996

crash," he says. The global team at Kleinwort Benson has a very bullish forecast for Wall Street and this puts a constraint on Philip Isherwood, the group's UK strategist. "The question is to what degree we follow Wall Street down," he says, "but if it does fall, you have got to remember to buy it. We believe the UK is a cheap equity market relative to a cheap bond market. Domestic worries, on politics, inflation and earnings are overstated." Isherwood's short-term downside target for Footsie is 3,650, but he expects a strong rebound later, taking the leading index to 4,350 by the end of 1997.

Richard Jeffrey, Charterhouse group economist, backed Footsie to finish 1996 at 4,000 and is going for the same level at the end of 1997. "The index may reach better levels at mid-year. The market could go up 10 per cent or so as investors become more optimistic about economic growth and the outlook for earnings."

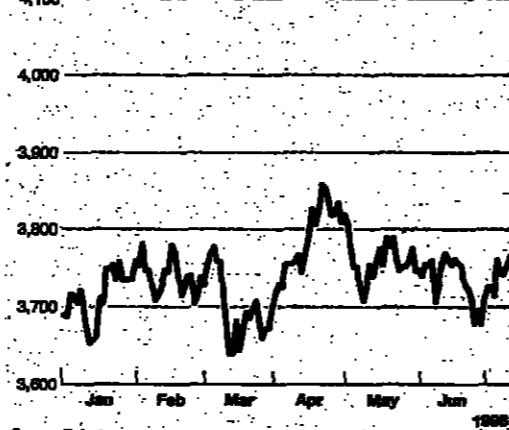
But in the second half of the year, investors will become more nervous about inflation and interest rates and Footsie will fall back." Jeffrey expects inflation to hit 4 per cent by the end of the year and base rates to reach 8.5 per cent.

The most bearish view is taken by Mark Brown, head of strategy and economics at ABN-Amro Houthaeve. He thinks Footsie will drop to 3,700 by the middle of the year before rebounding to finish 1997 at 3,900, still below current levels.

Brown expects bond yields to rise round the world, as activity recovers, and this will put the brake on equities. Corporate earnings may also be squeezed by a tightening labour market. Dividend growth is slowing, he says. Payments rose 9 per cent in 1996, and he is looking for 7 per cent in 1997 and 6 per cent in 1998.

1996 was good: what about 1997?

FTSE 100 Index



■ Highlights of the week

	Price	Change	2d week	2d month	2d year	2d 5 years
FTSE 100 Index	4077.6	+105.2	4077.6	3576.9	Well Street revival	
FTSE 250 Index	4446.4	+90.1	4446.4	3556.5	Telco speculation	
ADT	1390	+177.6	1550	958	Western Resources bids	
British Aerospace	1208	+83.4	1210.4	779	Airbus nationalism hopes	
British Borneo	742.5	+87	742.4	308	Bid hopes in oil	
BSkyB	525.5	+49	527	376	Positive regulatory news	
Clyde Petroleum	119.5	+15.5	121.9	55	Bid by Gary Cohn	
GKN	922.4	-49	119.5	765	Litigation worries	
General Accident	780	+72	770	612	Telco bid	
Laporte	684	+16	785	623	Positive trading statement	
Newman-Tonks	151.1	+16	151.4	98	FTX bids	
Ratcliffe (p/pd)	888	+88	400	205	Squeeze	
Scotts Holdings	861	+48.6	808	524	Approval for cancer drug	
Shaw Group	445	+14	132	58	Profit warning	
Willis Corroon	142	+10.4	160	115%	Sector consolidation	

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